



Fiscal Year 2018
President Submission

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Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Budget Estimates, Fiscal Year 2018
President's Submission

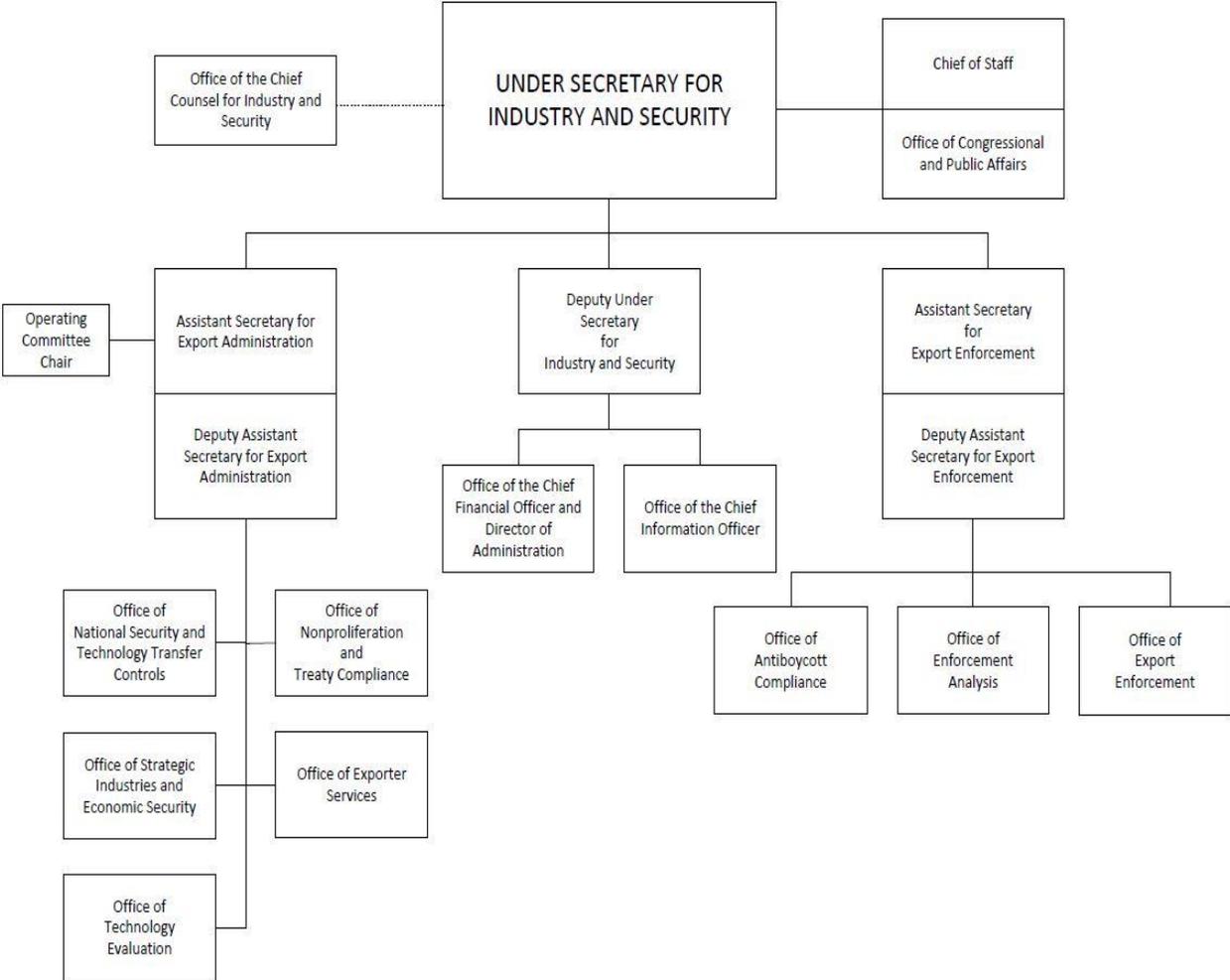
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U.S. DEPARTMENT OF COMMERCE

Bureau of Industry and Security



Bureau of Industry and Security
FY 2018 President's Budget
Executive Summary

The mission of the Bureau of Industry and Security (BIS) is to advance U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system and promoting continued U.S. strategic technology leadership. BIS administers and enforces controls on exports and re-exports of dual-use items (i.e. those having a commercial and potential military or proliferation application) and various military items to counter proliferation of weapons of mass destruction (WMD), prevent destabilizing accumulations of conventional weapons, combat terrorism, and pursue other national security and foreign policy goals.

The effectiveness of U.S. export controls is enhanced through the implementation of strong controls by other nations that export or transship sensitive goods and technologies. Consequently, BIS engages with foreign allies regarding the robustness of their export control systems, works to increase the participation of new countries in multilateral export control regimes and improve compliance of existing regime members, and cooperates with other countries to help establish effective export control programs worldwide.

To help detect and prevent diversions of U.S. goods to countries and end users of concern, BIS maintains a vigorous end use in-person visit program. This program ensures sensitive commodities are licensed for export only to foreign end users that have been thoroughly evaluated as part of BIS's comprehensive licensing system.

The BIS export administration and enforcement programs are more than just issuing licenses, conducting inspections and performing end use checks. Over the last few years, BIS faced significant increases in the bureau's workload with the transferring of tens of thousands of items from the Department of State's U.S. Munitions List (USML) to the Commerce's Control List (CCL). In addition, the growing U.S. economy, changes in foreign policy, and other external factors have led to an increasing number of exporters within BIS's regulatory scope who are in new industries, exploring emerging markets, and exporting to new geographic destinations. Recognizing that there are still significant budget constraints in the current federal environment, it is still essential that the BIS programs maintains the in-house expertise, tools and other resources necessary to keep up with the ongoing advances being incorporated into the technology industries. Each day emerging technologies are being introduced into the market. Protecting the technological advances developed by the U.S. supports the effectiveness of the military in the front lines of combat, intelligence organizations in the fight against terrorism and numerous law enforcement organizations across the country.

BIS works to ensure that the United States remains competitive in strategic industry sectors and sub-sectors critical to national security by safeguarding U.S. technology leadership. To this end, BIS analyzes the impact of export controls and trade policies on strategic U.S. industries, administers the Federal Government's Defense Priorities and Allocations System, reports on the impact of defense trade offsets, and evaluates the security impact of certain proposed foreign investments in U.S. companies.

Noteworthy Accomplishments:

BIS and State Department published eighteen of the twenty-one U.S. Munitions List (USML) and applicable corresponding Commerce Control List (CCL) categories, including more tailored controls for commercial satellites and less-sensitive military items. In Fiscal Year 2016 (FY16), Export Administration (EA) processed 32,811 export license applications for transactions in an average of 23 days. This marked a 28.3% increase from the 25,581 applications processed in CY13. During this same time period, U.S. exports of sensitive items controlled by EA increased 21.6% from \$171 to \$208 billion despite the decontrol of high-valued crude oil at the end of CY15.

BIS also had significant activities with regard to investigations. BIS completed 789 enforcement License Determination (LD) for BIS's Office of Export Enforcement (EE) in an average of 26 days in CY16. EA also collaborated with other federal agencies completing 1,285 LDs for the Federal Bureau of Investigation and the Department of Homeland Security in an average of 11 days in support of investigations of potential unlawful exports.

In FY 2016, in order to maintain a credible deterrence as part of our regulatory responsibilities, BIS sought appropriate penalties to address export violations which led to \$274,500 in criminal fines, over \$23 million in administrative penalties, and 883 months of imprisonment. Additionally, BIS completed four Anti-boycott cases with administrative fines of \$268,000. In March of 2017, BIS announced a combined criminal fine/forfeiture and civil fine of over \$1.19 billion on a Chinese telecommunications company (ZTE Corp). The fine will be the largest civil penalty ever levied by BIS and the largest criminal penalty ever levied by the U.S. government in an export control-National Security case. This will include \$430,488,798 criminal fines and forfeiture, a \$661,000,000 civil penalty and as part of a plea agreement and the Department of the Treasury's Office of Foreign Assets Control will impose \$100,871,266 in fines.

Bureau of Industry and Security:

The Bureau of Industry and Security requests an appropriation for discretionary spending totaling \$113.5M and 426 FTE's to address the growing demands of BIS's operations. The 2018 request represents a \$1 million increase over the FY 2017 annualized Continuing Resolution

(CR). A full-year 2017 appropriations was not enacted at the time the FY 2018 Budget was prepared; therefore, the Budget assumes the Department is operating under the Further Continuing Appropriations Act, 2017 (P.L. 114-254). The amounts included for 2017 reflect the annualized level provided by the continuing resolution.

Department of Commerce
Bureau of Industry and Security
FY 2018 PROGRAM INCREASES / DECREASES / TERMINATIONS
(Dollar amounts in thousands)
(Largest to Smallest)

Increases

Page No. in CJ	Appropriation	Budget Program	Activity/Subactivity	FTE	Budget Authority
BIS - 42	Operations & Administration	Export Enforcement	19 New Special Agents	14	3,803
Subtotal, Increases				14	3,803

Decreases

Page No. in CJ	Appropriation	Budget Program	Activity/Subactivity	FTE	Budget Authority
BIS - 28	Operations & Administration	Export Administration	Program Offset	-1	-2,728
BIS - 44	Operations & Administration	Export Enforcement	CONUS ECO	0	-1,000
BIS - 28	Operations & Administration	Export Administration	APRS	0	-700
BIS - 28	Operations & Administration	Export Administration	EA Reallocation	0	-600
BIS - 44	Operations & Administration	Export Enforcement	Program Offset	-1	-506
BIS - 19	Operations & Administration	Management Policy coordination	Program Offset	0	-232
Subtotal, Decreases				-2	-5,766
Total, Increases, Decreases				12	-1,963

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Summary of Resource Requirements
Preferred Level Request
(Dollar amounts in thousands)

Page No.		Budget		Direct Obligations
		Positions	FTE Authority	
	2017 CR Annualized.....	433	414 \$112,500	\$113,323
	Less: Obligations from prior year.....	0	0 0	-\$823
BIS - 13	Plus: 2018 Adjustments to Base.....	0	0 \$1,663	\$1,663
	2018 Base.....	433	414 \$114,163	\$114,163
	Plus: 2018 Program Changes.....	17	12 -\$663	-\$663
	2018 Estimate.....	450	426 \$113,500	\$113,500

Comparison by Program:			2016		2017		2018		2018		Increase/Decrease	
			Actual		CR Annualized		Base		Estimate		Personnel	Amount
			Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount
BIS - 17	Management and Policy Coordination.....	Pos./BA	15	\$6,001	15	\$6,001	15	\$6,077	15	\$5,845	0	-\$232
		FTE/Obl.	11	\$6,115	11	\$6,042	11	\$6,077	11	\$5,845	0	-\$232
BIS - 21	Export Administration.....	Pos./BA	219	\$58,602	219	\$58,602	219	\$59,594	218	\$56,866	-1	-\$2,728
		FTE/Obl.	188	\$59,576	214	\$59,030	214	\$59,594	213	\$56,866	-1	-\$2,728
BIS - 33	Export Enforcement.....	Pos./BA	199	\$47,897	199	\$47,897	199	\$48,492	217	\$50,789	18	\$2,297
		FTE/Obl.	161	\$47,019	189	\$48,251	189	\$48,492	202	\$50,789	13	\$2,297
	Direct Obligations.....	Pos./BA	433	\$112,500	433	\$112,500	433	\$114,163	450	\$113,500	17	-\$663
		FTE/Obl.	360	\$112,710	414	\$113,323	414	\$114,163	426	\$113,500	12	-\$663

Adjustments to Obligations

Recoveries.....	-\$365
Unobligated balance, start of year.....	-\$668
Unobligated balance, rescission.....	
Unobligated balance, end of year.....	\$823
Unobligated balance expiring.....	

Financing from transfers:

Transferred from other accounts (-).....	
Transferred to other accounts (+).....	

Unobligated balance, rescission:

Appropriation.....	\$112,500	\$112,500	\$114,163	\$113,500	-\$663
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Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Summary of Reimbursable Obligations
(Dollar amounts in thousands)

<u>Comparison by Program:</u>	2016		2017		2018		2018		Increase/	Decrease	
	Actual		Estimate		Base		Estimate				
	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount			
Management and Policy Coordination.....	Pos./BA	0	\$109	0	\$109	0	\$109	0	\$109	0	\$0
	FTE/Obl	0	\$109	0	\$109	0	\$109	0	\$109	0	\$0
Export Administration.....	Pos./BA	2	\$2,022	2	\$2,022	2	\$2,022	2	\$2,022	0	\$0
	FTE/Obl	2	\$5,946	2	\$2,022	2	\$2,022	2	\$2,022	0	\$0
Export Enforcement.....	Pos./BA	0	\$769	0	\$769	0	\$769	0	\$769	0	\$0
	FTE/Obl	0	\$769	0	\$769	0	\$769	0	\$769	0	\$0
Reimbursable Obligations.....	Pos./BA	2	\$2,900	2	\$2,900	2	\$2,900	2	\$2,900	0	\$0
	FTE/Obl	2	\$6,824	2	\$2,900	2	\$2,900	2	\$2,900	0	\$0
Adjustments to Obligations											
Recoveries.....											
Unobligated balance, start of year.....			-3,924								
Unobligated balance, rescission.....											
Unobligated balance, end of year.....											
Unobligated balance expiring.....											
Reimbursable Authority.....		2,900	\$2,900	\$2,900	\$2,900	\$2,900	\$2,900	\$2,900	\$2,900	\$0	\$0

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Summary of Financing
Preferred Level Request
(Dollar amounts in thousands)

	2016 Actual	2017 Estimate	2018 Base	2018 Estimate	Increase/ Decrease
Total Obligations	\$115,770	\$120,660	\$117,213	\$116,550	-\$663
Financing:					
Offsetting collections from:.....					
Federal funds.....	-\$1,220	-\$1,220	-\$1,220	-\$1,220	0
Non-Federal sources.....	-\$1,830	-\$1,830	-\$1,830	-\$1,830	0
Recovery of prior year obligations.....	-\$365	0	0	0	0
Unobligated balance, start of year.....	-\$4,965	-\$5,110	0	0	0
Unobligated balance, transferred.....	5,110	0	0	0	0
Unobligated balance, end of year*.....	\$0	0	0	0	0
Unobligated balance expiring.....	0	0	0	0	0
Budget Authority	\$112,500	\$112,500	\$114,163	\$113,500	-\$663
Financing:					
Transfers from other accounts.....	0	0	0	0	0
Transfers to other accounts.....	0	0	0	0	0
Unobligated balance, rescission:					
Appropriation	\$112,500	\$112,500	\$114,163	\$113,500	-\$663

*BIS's unobligated balance at the start of FY 2016 was \$5.110 million. Of this total, \$0.823 million was in direct appropriation funds; \$1.070 million was associated with reimbursable accounts; and the remaining \$3.217 million was associated with the Seminar Trust Fund.

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Justification of Adjustments to Base
(Dollar amounts in thousands)

Changes: FTE Amount

Pay Raises 0 1,071

Full-year cost of 2017 pay increase and related costs:

A pay raise of 2.1% will be effective January 1, 2017
Total cost in 2018 of 2017 pay raise at 1.9% 988,000
Less amount funded in 2017 -741,000
Amount requested in 2018 to provide full-year cost of 2017 pay increase 247,000

2018 pay increase and related costs:

A general pay raise of 1.9% is assumed to be effective January 1, 2018.
Total cost in 2018 for pay raise 824,000
Total, Adjustment for 2018 pay raise 824,000

Full-cost in 2018 of Positions Financed Part Year 2017 0 0

An increase in the amount of \$0 is required to fund the full-year cost in 2018 of positions financed for part-year in 2017.

	<u>FTE</u>	<u>Amount</u>
Annual salary of new positions in 2017	0	0
Availability pay adjustment 2017	0	0
2018 Pay Raise (1.9%)	<u>0</u>	<u>0</u>
Less 5 percent lapse	<u>0</u>	<u>0</u>
Addition of 6 Positions not included in FY 2017	0	0
Full-year cost of personnel compensation	0	0
Less personnel compensation in 2017	<u>0</u>	<u>0</u>
Additional cost of personnel compensation in 2018	0	0
Adjustment for 2018 pay raise (.019 X .75 X \$1)	<u>0</u>	<u>0</u>
Amount required for personnel compensation	0	0
Repricing Adjustment	0	0
Benefits	<u>0</u>	<u>0</u>
Total, Adjustment for positions financed part-year in 2018	0	0

Civil Service Retirement System (CSRS)

The estimated percentage of payroll covered by CSRS will be reduced to 9.30% for regular employees, and 0.00% for law enforcement employees. Contribution rates are expected to remain at 7.0% for regular employees, and 7.5% for law enforcement employees. 0 -63

Regular Employees:

CSRS Cost in 2018 (\$28,923,075 X .930 X .072) 195,014
CSRS Cost in 2017 (\$28,923,075 X .123 X .072) -257,922
Subtotal -62,908

Law Enforcement Employees:

CSRS Cost in 2018 (\$14,980,247 X .000 X .075) 0
CSRS Cost in 2017 (\$14,980,247 X .000 X .075) 0
Subtotal 0

Total adjustment-to-base **-62,908**

Federal Employees' Retirement System (FERS)

0 75

The estimated percentage of payroll covered by FERS will increase from 89.70% in 2017 to 91.60% in 2018 for regular employees and remain at 100% for law enforcement employees.
 The estimated percentage of FERS Revised Annuity Employees (RAE) will increase from 89.70% in 2017 to 91.60% in 2018 for regular employees and remain 0.00% for law enforcement employees.
 Contribution rates are expected to remain the same for all the employees. (TBD)

Regular Employees (Non-RAE):

FERS (Non-RAE) cost in 2018 (\$28,628,017 X .916 X .137)	3,599,364
FERS (Non-RAE) cost in 2017 (\$28,682,017 X .897 X .137)	<u>-3,524,704</u>
Subtotal	74,660

Regular Employees (RAE):

FERS - RAE cost in 2018 (\$241,058 X 0.916 X 0.119)	26,276
FERS - RAE cost in 2017 (\$241,058 X 0.897 X 0.119)	<u>-25,731</u>
Subtotal	545

Law Enforcement Employees:

FERS cost in 2018 (\$14,980,247 X 1.000 X .301)	4,509,054
FERS cost in 2017 (\$14,980,247 X 1.000 X .301)	<u>-4,509,054</u>
Subtotal	0

Total adjustment-to-base

75,205

Thrift Savings Plan

0 13

The cost of BIS' contribution to the Thrift Savings Plan is expected to increase from 89.30% in FY 2017 to 91.60% in 2018 for regular employees and remain at 100% for law enforcement employees.
 The contribution rate will remain at 2% in 2017 to 2% in 2018.

Regular Employees (Non-RAE):

Cost in 2018 (\$28,682,017 X .916 X .02)	525,455
Cost in 2017 (\$28,682,017 X .893 X .02)	<u>-512,261</u>
Subtotal	13,194

Regular Employees (RAE):

Cost in 2018 (\$241,058 X 0.119 X .020)	574
Cost in 2017 (\$241,058 X 0.119 X .010)	<u>-574</u>
Subtotal	0

Law Enforcement Employees (Non-RAE):

Cost in 2018 (\$14,980,247 X 1.000 X .020)	299,605
Cost in 2017 (\$14,980,247 X 1.000 X .020)	<u>-299,605</u>
Subtotal	0

Total adjustment-to-base

13,194

	<u>FTE</u>	<u>Amount</u>
Federal Insurance Contributions Act (FICA)	<u>0</u>	<u>49</u>
As the percentage of payroll covered by FERS increases, the cost of OASDI contributions will increase. In addition, the maximum salary subject to OASDI tax will increase in 2018. The OASDI tax rate will remain same at 6.2% in 2018.		
Regular Employees (Non-RAE):		
Cost in 2018 (\$28,682,017 X .916 X .953 X .062)	1,552,350	
Cost in 2017 (\$28,682,017 X .897 X .947 X .062)	<u>-1,510,580</u>	
Subtotal	41,770	
Regular Employees (RAE):		
Cost in 2018 (\$472,000 X 0.893 X .947 X .062)	24,748	
Cost in 2017 (\$472,000 X 0.877 X .947 X .062)	<u>-24,748</u>	
Subtotal	0	
Law Enforcement Employees:		
Cost in 2018 (\$12,441,265 X 1.000 X .953 X .062)	735,105	
Cost in 2017 (\$12,441,265 X 1.000 X .947 X .062)	<u>-730,476</u>	
Subtotal	4,629	
Other Salaries - Regular Employees:		
Cost in 2018 (\$584,529 X .916 X .953 X .062)	31,636	
Cost in 2017 (\$584,528 X .897 X .947 X .062)	<u>-30,623</u>	
Subtotal	1,013	
Other Salaries - Law Enforcement Employees:		
Cost in 2018 (\$2,538,982 X 1.000 X .955 X .062)	150,333	
Cost in 2017 (\$2,538,982 X 1.000 X .947 X .062)	<u>-149,074</u>	
Subtotal	1,259	
Total adjustment-to-base	48,671	
Health Insurance Premium	<u>0</u>	<u>245</u>
Effective January 2018, this agency's contribution to Federal employees' health insurance premiums increased by 8.28%. Applied against the 2017 estimated amount of \$2,729,857 the additional amount required is \$245,009.		
Rental Payments to GSA	<u>0</u>	<u>143</u>
GSA rate is projected to be at 2.0% in 2018. This percentage was applied to the 2017 estimated amount of \$4,781,050 to arrive at an increase of \$95,621.		
Postage	<u>0</u>	<u>0</u>
Postage rate is expected to increase at 2.0% in 2018. This percentage was applied to the 2017 estimated amount of \$402,000 to arrive at an increase of \$8,040.		
GPO Printing	<u>0</u>	<u>1</u>
GPO has provided an estimated rate of 2% in 2017. This percentage was applied to the 2017 estimated amount of \$312,000 to arrive at an increase of \$5,616.		
Mileage	<u>0</u>	<u>-16</u>
Changes to the Federal Travel Regulations decreased the reimbursement rate for the use of a privately-owned automobile from 54 cents to 53.5 cents per mile. The percentage 2.68% was applied to 2017 estimated amount of \$289,000 to arrive at an increase of \$7,745.		

	<u>FTE</u>	<u>Amount</u>
Working Capital Fund	0	-500
The amount of -\$500,000 from Departmental Working Capital Fund.		
Compensable Day	0	0
In FY 2018, there are 260 compensable days the same as in FY 2017.		
Employee Compensation Fund	0	-33
The anticipated workers compensation cost for FY 2018 is -11,304.14.		
National Archives and Records Administration (NARA)	0	-23
The estimated cost for NARA storage has decreased for FY 2018 by \$23,000.		
Herbert C. Hoover Electricity	0	0
The estimated cost for PEPCO electricity is expected to remain the same in FY 2018.		
Fuel	0	136
Utilizing economic assumptions for energy prices (gas and oil price index) the percentage decrease of estimated fuel cost in FY 2018 compared to FY 2015 is -21.37%. Applied against the FY 2015 actual cost of \$174,655, the projected FY 2018 cost is \$137,336. The base estimate of \$1,168 in the FY 2017 budget minus the anticipated FY 2018 cost of \$137,336 leaves the total FY 2018 adjustment for fuel at \$136,168.		
General Pricing Level Adjustments	0	565
This request applies OMB economic assumptions for 2018 to object classes where the prices the Government pays are established through the market system. A 2% factor was applied to rental payments to others (\$0); transportation of things (\$3k); communications, utilities, and miscellaneous charges (excluding postage and FTS) (\$0k); other services (excluding the Working Capital Fund and CBS) (\$485k); supplies and materials (\$39k); and, equipment (\$38k).		
Adjustments-to-Base	0	\$1,663
Total - FY 2018 Adjustments-to-Base	0	\$1,663

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Program and Performance: Direct Obligations
Preferred Level Request
 (Dollar amounts in thousands)

Comparison by Program:		2016		2017		2018		2018		Increase/	
		Actual		Estimate		Base		Estimate		Decrease	
		Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount
Management and Policy Coordination.....	Pos./BA	15	\$6,001	15	\$6,001	15	\$6,077	15	\$5,845	0	-\$232
	FTE/Obl	11	\$6,115	11	\$6,042	11	\$6,077	11	\$5,845	0	-\$232

**Department of Commerce
Bureau of Industry and Security
Operations and Administration
Program Justification**

APPROPRIATION ACCOUNT: Operations and Administration

BUDGET PROGRAM: Management and Policy Coordination

For FY 2018, BIS will decrease Management and Policy Coordination (MPC) by \$.232 million and 0 FTE over the FY 2017 annualized CR for a total of \$5.845 million and 11 FTE for Management and Policy Coordination. This decrease comprises of \$.076 million in offsets in other program and IT efficiencies.

BASE JUSTIFICATION:

Management and Policy Coordination (MPC) Overview

MPC funds the Office of the Under Secretary for Industry and Security and supporting offices. MPC officials provide leadership, management, and policy guidance in direct support of BIS's priorities, goals, objectives, and to the Assistant Secretaries in their areas of responsibility.

Ongoing BIS management responsibilities include: (1) establishing BIS's overall policy agenda; (2) coordinating agreement on BIS priorities, Bureau goals, unit objectives, and key metrics; (3) evaluating unit performance for consistency with priorities, goals, objectives and metrics; (4) performing overall oversight of program operations and expenditures; (4) executing or directly supervising the execution of selected policy initiatives; and (5) adjudicating appeals of licensing and enforcement decisions.

MPC supports the Secretary of Commerce by: (1) providing policy support to the Secretary on matters relating to BIS's responsibilities relevant to Departmental and Secretarial goals, objectives, and priorities; (2) preparing reports and testimony relating to BIS activities; and (3) representing the Department in ongoing interagency dialogues (e.g. with the Departments of Defense, Energy, Homeland Security, Justice, and State, the National Security Council, the U.S. Trade Representative, and the intelligence community) on issues involving national security, nonproliferation, export controls, and strategic industries.

SIGNIFICANT ADJUSTMENTS-TO-BASE (ATBs):

BIS requests a net increase of \$.076 million and 0 FTE to fund adjustments-to-base to current programs for MPC activities. This request will fund the estimated 2018 Federal pay raise of 1.9 percent. The increase will also provide inflationary increases for non-labor activities, including service contracts, utilities, field office lease payments, and rent charges from the General Service Administration (GSA).

PROGRAM CHANGES FOR FY 2018

Reductions to existing operations and services totaling \$.232 million necessary to pay for increases in existing costs, including pay raises, FERS contributions, and GSA rent, among others. BIS has realized these savings by incorporating strategic sourcing into the acquisition plan, reallocation of human capital, reducing duplicative activities, transferring IT to new more efficient capabilities that cost less.

Program Change Detail by Object Class

(Dollar amounts in thousands)

Program: Management and Policy Coordination

Program Change: Program Offsets

Object Class:		FY 2018
		Decrease
Personnel Compensation		
11.1	Full-time permanent	0
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	0
11.8	Special personnel services payments	0
11.9	Total personnel compensation	0
12.1	Civilian personnel benefits	0
13	Benefits for former personnel	0
21	Travel and Transportation of persons	0
22	Transportation of things	0
23.1	Rental payments to GSA	0
23.2	Rental payments to others	0
23.3	Communications, Utilities and Miscellaneous charge	0
24	Printing and Reproduction	0
25	Other Services	-232
26	Supplies and Materials/Fuel	0
31	Equipment	0
32	Lands and Structures	0
33	Investments and Loans	0
41	Grants, Subsidies, and Contributions	0
42	Insurance claims and indemnities	0
43	Interest and Dividends	0
44	Refunds	0
99	Total Obligations	-232

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Program and Performance: Direct Obligations
Preferred Level Request
 (Dollar amounts in thousands)

<u>Comparison by Program:</u>		2016		2017		2018		2018		Increase/ Decrease	
		Actual		Estimate		Base		Estimate		Personnel	Amount
		Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount
Export Administration.....	Pos./BA	219	\$58,602	219	\$58,602	219	\$59,594	218	\$56,866	-1	-\$2,728
	FTE/Obl	188	\$59,576	214	\$59,030	214	\$59,594	213	\$56,866	-1	-\$2,728

**Department of Commerce
Bureau of Industry and Security
Operations and Administration
Program Justification**

APPROPRIATION ACCOUNT: Operations and Administration

Budget Program: Export Administration

For FY 2018, Export Administration (EA) requests \$2.278 million and 2 FTEs below the FY 2017 annualized CR for a total of \$56.866 million and 213 FTE. This decrease comprises of \$1.286 million in offsets for other program and IT efficiencies.

BASE JUSTIFICATION:

Export Administration (EA) Overview

EA is critical to the accomplishment of BIS's and the Department's mission of advancing U.S. national security and U.S. foreign policy, and enhancing U.S. economic competitiveness while supporting the U.S. national security and foreign policy goals and ensuring a robust defense industrial base. In 2016, approximately 2.7 million export shipments valued at over \$208 billion included sensitive items controlled by EA.

In addition to items controlled for export because of authorized commercial and military end uses, some items under BIS's jurisdiction can be used for weapons of mass destruction (nuclear, chemical and biological), missiles to deliver those weapons, development or enhancement of adversaries' military capabilities, or terrorism. EA ensures that advanced technology items are controlled and approved for export only to reliable foreign end users who have been thoroughly evaluated in a comprehensive interagency process by a highly trained cadre of analysts.

To provide the U.S. Government a level of assurance that these exports will not be diverted to weapons of mass destruction programs, military programs contrary to U.S. interests or terrorists, EA analysts and engineers must maintain superior expertise in technology, markets and national security and foreign policy. EA personnel must be technically qualified to assess the sophisticated leading edge products available in the global marketplace. In addition, analysts must be able to analyze the data necessary to evaluate the effects of new or changing policies, and formulate and implement actions based on the data, such as refining targeted outreach to exporters to strengthen compliance. EA's data analysis will continue to evolve to provide more efficient analysis for more informed and faster support for policy making, for making more effective recommendations on export license applications, and to focus public outreach efforts.

EA was instrumental in the successful effort begun to transform the United States export control system from the Cold War structure to a system that effectively meets the national and global security realities and challenges that exist in the 21st century. The transformation has enhanced national security by increasing interoperability with allies, supporting the defense industrial base and focusing government and industry resources on the most sensitive transactions. In its impact, the reform supports the Department's *Strategic Objective 1.2, Increase U.S. exports by broadening and deepening the U.S. exporter base.*

Sub-Office Descriptions

EA is organized into five sub-programs under the Operations and Administration Account:

1. *Office of National Security and Technology Transfer Controls (NSTTC)*
NSTTC is responsible for developing and administering the U.S. government's multilateral controls on dual use items, including integrated circuits, advanced tooling equipment, thermal imaging cameras, and encryption products. NSTTC engineers and policy analysts participate in the U.S. delegation to the Wassenaar Arrangement, the multilateral export control regime that harmonizes national export controls on conventional arms and related dual-use goods. NSTTC Licensing Officers (LO) play a key role in interagency and multilateral technical discussions related to revisions of the control lists, while NSTTC policy analysts support Wassenaar policy initiatives. NSTTC licensing officers and policy analysts also implement the U.S. sanctions on Russia for its occupation of Crimea and destabilization of eastern Ukraine.
2. *Office of Nonproliferation and Treaty Compliance (NPTC)*
NPTC is responsible for developing and administering comprehensive U.S. and multilateral export controls on certain categories of items controlled by three multilateral nonproliferation export control regimes (the Australia Group, the Missile Technology Control Regime, and the Nuclear Suppliers Group). NPTC also administers multilateral and U.S. unilateral embargoes and sanctions (Cuba, Iran, North Korea, Sudan, and Syria) on selected categories of items to specific destinations, including state sponsors of terrorism. In addition, NPTC fulfills U.S. compliance with treaty obligations under the Chemical Weapons Convention (CWC), and the U.S. Additional Protocol (AP) to the Nuclear Nonproliferation Treaty
3. *Office of Strategic Industries and Economic Security (SIES)*
SIES supports U.S. national security through its interagency and international activities related to defense trade and industrial base policy. SIES administers export controls (licensing and related compliance activity) on military items, parts, components, accessories, and attachments on the Commerce Control List. SIES also produces

analyses of the export control and industrial base implications associated with foreign acquisitions of U.S. businesses reviewed by the interagency Committee on Foreign Investment in the United States to assess risks to national security. SIES's other defense industrial base responsibilities include co-chairing, with the Department of State, the interagency Market Impact Committee which reviews proposed sales from the Department of Defense's National Defense Stockpile, administering the Defense Priorities and Allocations System (facilitating production of items to meet critical national defense and homeland security requirements, and to facilitate recovery from natural disasters), and reviewing proposed sales of excess defense articles. In addition, SIES administers BIS continuity of operations program (COOP).

4. *Office of Exporter Services (OExS)*

OExS implements Commerce's export control system by developing, negotiating, writing, and publishing amendments to the Export Administration Regulations (EAR), and by coordinating the clearance of all regulatory changes by the Bureau, Department, and other export control agencies in the U.S. Government. The office also verifies compliance, including conducting site visits, with the EAR, assists exporters with corporate compliance plans, and administers post-licensing processes such as reviewing license amendment requests and reporting requirements. In addition, OExS leads BIS's educational outreach efforts, including conducting the dozens of seminars that BIS offers annually at locations across the United States. BIS's outreach efforts resulted in over one hundred thousand of contacts through EA's outreach efforts, including seminars, counseling, and webinars in FY2016.

5. *Office of Technology Evaluation (OTE)*

OTE uses export, licensing and global trade data and research to protect national and economic security by: 1) assessing trends and informing export policy decisions; 2) gauging the effect of the dual-use export control system on U.S. industry; 3) identifying noncompliance with the EAR and the Foreign Trade Statistics Regulations (FTSR); 4) providing statistical reports to the U.S. government and external stakeholders; and 5) analyzing foreign availability of critical products and technologies. OTE uses BIS's unique and mandatory data collection authority to study and assess the economic health and competitiveness of defense sectors and technology, and defense capabilities and readiness. OTE also conducts investigations to determine the effect of imports on national security. The office also implements the plan required by the International Trade Data System (ITDS) so exports of BIS controlled items processed at ports of export by U.S. Customs and Border Protection are streamlined and critical export data are made visible to law enforcement personnel. OTE will also measure the quality and conformance to requirements of the export license application review process to facilitate continuous quality improvement.

The first three sub-programs are EA's primary licensing offices in which Licensing Officers (LO) are responsible for decisions on export license applications, commodity classifications, license determinations (an essential part of any administrative or criminal investigation of export control violations conducted by law enforcement agencies), and commodity jurisdictions, based on their technical and/or policy analysis of each specific transaction. The licensing offices are also responsible for many other important activities, including:

- Supporting outreach and international export control cooperation programs designed to strengthen export controls in major transshipment hubs (*e.g.*, Hong Kong, Singapore, Malaysia and the United Arab Emirates), countries of proliferation concern (*e.g.*, China) and export control capacity building in partner countries (*e.g.*, India). Personnel resources are dedicated to support the Department of State's Export and Border Security Program (EXBS) and the Department of Energy's International Nonproliferation Export Control Program (INECP).
- Serving as Designated Federal Officers and otherwise supporting the industry advisory committees that advise and assist the Secretary on actions to carry out the policies set forth in the EAR, including the maintenance of the Commerce Control List.

The remaining two sub-programs are responsible for regulatory policy, outreach/compliance activities and data analytics. These units are responsible for many important activities, including:

- Developing and publishing online training modules, prerecorded webinars, and web-based decision tools.
- Developing content for, organizing, and hosting BIS's annual Update conference, the largest (about 900 annual attendees) and most comprehensive U.S. government event on export controls, which features officials speaking to industry representatives and foreign governments on a range of export control issues.

Finally, EA chairs two important interagency committees: the Operating Committee (OC) and the End-User Review Committee (ERC). Established by Executive Order 12981, the OC is the first stage of the interagency dispute resolution process for license applications. The ERC is the committee that administers two national security programs: the Validated End-User Program, which promotes secure high technology trade with China and India, and the Entity List, a U.S. government proscribed parties list.

Noteworthy Accomplishments:

As part of EA's ongoing efforts to strengthen national security and the competitiveness of key U.S. manufacturing and technology sectors, BIS personnel are continually reviewing proposed changes and revisions to U.S. Government export control lists, including the United States

Munitions List [USML, administered by the Department of State under the International Traffic in Arms Regulations (ITAR)] and the corresponding Commerce Control List [CCL, administered by BIS under the Export Administration Regulations (EAR)] These necessary reviews are resource intensive because they entail interagency discussions and decisions on sensitive topics. These ongoing refinements to the two control lists for military and spacecraft-related items help to better protect U.S. national security and foreign policy interests while reducing the burden on U.S. manufacturing and technology sectors by moving less sensitive items to the EAR, where exporters can benefit from the more flexible authorizations, particularly for exports to our closest allies. These changes also enhance U.S. national security by improving the interoperability of the U.S. Department of Defense with our closest allies, whether during overseas deployments or in developing new weapon systems.

In FY 2016, BIS processed 33,615 export license applications in an average of 22 days. This marked a 35.6% increase from the 24,782 applications processed in FY13, the last year before Export Control Reform changes started to become effective. . In calendar year 2016, U.S. exports of sensitive items controlled by EA increased 21.6% from \$171 to \$208 billion despite the decontrol of high-value crude oil at the end of CY15.

To ascertain whether an export license is required from BIS, an exporter needs to have the classification of the item to be exported and may request an official classification from BIS. In CY16, BIS processed 5,263 classification request applications in an average of 23 days. Although exporters are encouraged to self-classify items, they often seek official classification determinations from BIS for business, recordkeeping or other reasons.

EA LOs also process License Determinations. A license determination (LD) is the official position on the licensing requirements of an item that has been exported or is intended for export. There are two types, one for items seized by the Port Authority where the LD is needed quickly to determine whether or not the item should be released for export. The other type is used to support enforcement actions by BIS and other agencies connected with potential violations of the EAR, and is generally more complicated in nature requiring more analysis. In FY16, EA completed 681 LDs for BIS's Office of Export Enforcement in an average of 14 days. In addition, EA completed 1,232 LDs for the Department of Homeland Security in an average of 8 days; and 118 LDs for FBI in an average of 11 days.

A commodity jurisdiction (CJ) request is used to determine whether an item or service is subject to the export licensing authority of the Department of Commerce or the Department of State's Directorate of Defense Trade Controls (DDTC). Exporters may request a CJ determination by submitting the request to DDTC, which has final jurisdiction determination authority. In CY16, EA provided timely recommendations to the State Department on approximately 700 CJ requests.

Through its role as Chair of the End-User Review Committee, EA strengthened end-user controls in 2016 by facilitating the addition of over 200 entities that the Committee found were acting contrary to U.S. national security or foreign policy interests to the Entity List. Among these additions were approximately 100 entities added throughout the year pursuant to Russia-related sanctions, and the addition of a large Chinese telecommunications firm, ZTE Corporation, and three of its affiliates. The ERC determined to add ZTE Corporation for actions contrary to the national security and foreign policy interests of the United States. Specifically, ZTE corporate documents indicated that ZTE had re-exported controlled items to sanctioned countries contrary to U.S. law and had planned and organized a scheme to establish, control, and use a series of shell companies to illicitly re-export controlled items to Iran in violation of U.S. export control laws. The listing imposed a license requirement for the export, re-export and in-country transfer of any U.S.-origin item to these four entities with a presumption of denial policy. Restricting exports from suppliers lead ZTE to cooperate with the ongoing investigation of ZTE. In response to ZTE's cooperation, EA then published a Temporary General License for ZTE and extended it three times throughout 2016, which allowed U.S. companies to export to ZTE and provided U.S. customers (many small providers) a continued supply of telecommunications equipment. In 2017, ZTE agreed to a record-high combined civil and criminal penalty of \$1.19 billion and was removed from the Entity List. EA's actions demonstrated close collaboration with BIS's Export Enforcement arm and the other federal government agencies involved in the investigation and were an example of EA's commitment to protecting U.S. national security interests through export controls.

In late October and early November 2016, EA organized BIS's 29th Annual Update Conference on Export Controls and Policy. Over the course of the three-day conference, in addition to three plenary sessions, the approximately 900 attendees attended their choice of fifteen unique break-out sessions, two open forums, and round tables on thirty-three different topics. In addition to the two keynote speakers, the Secretary of Commerce and the U.S. Trade Representative, nearly fifty subject matter experts from BIS and other U.S. government agencies shared their knowledge with attendees. The attendee evaluations were highly positive and reflect EA's organizational skill as well as the subject matter expertise of the presenters.

During Prime Minister Narendra Modi's trip to Washington in June 2016, the United States said it recognized India as a Major Defense Partner. The joint statement issued then had acknowledged the U.S.-India defense relationship as a possible "anchor of stability", with the United States saying it will "continue to work toward facilitating technology sharing with India to a level commensurate with that of its closest allies and partners". Major Defense Partner negotiations began in July of 2016 and were concluded through an exchange of diplomatic notes on December 9, 2016. BIS played a key role in defining Major Defense Partner by developing a

favorable licensing review policy for military items for India and expanding the Validated End User program for military end uses in India.

BIS technical, legal and regulatory experts, worked closely with the Hong Kong government to conduct outreach and develop regulatory guidelines to enhance national security. A rule published on January 19, 2017 reinforces existing U.S. and Hong Kong regulations by requiring exporters and re-exporters of items subject to the Export Administration Regulations and controlled under the multilateral export control regimes to ensure Hong Kong government authorization is obtained by their customers prior to shipment.

SIGNIFICANT ADJUSTMENTS-TO-BASE (ATBs):

BIS requests a net increase of \$.992 million and 0 FTE to fund adjustments-to-base to current programs for EA activities. The increase will fund the estimated 2018 Federal pay raise of 1.9 percent. The increase will also provide inflationary increases for non-labor activities, including service contracts, utilities, field office lease payments, and rent charges from the General Service Administration (GSA).

PROGRAM CHANGES FOR FY 2018

EA continues to pursue optimization of its resources through efficiency, effectiveness, and utilization. Shifts in licenses have seen a decline in some areas while other licenses have increased and become more complicated. EA will achieve efficiencies by redirecting resources to leverage the expertise within EA, combining activities, expanding responsibilities and focusing efforts on its primary activities of advancing national security through a robust export control system, and supporting U.S. industrial leadership. Throughout the reallocation of resources, prompt export licensing will continue uninterrupted; compliance reviews will be increased through the use of teleconferencing, emails and multipurpose visits; and outreach to industry will be achieved via website content, video teleconferencing and other public/private events. These efforts to improve the efficiency of EA will save \$.6 million.

In FY16, BIS commissioned a \$1.7 million initiative to develop the Additional Protocol Regulations System (APRS) to support processing of reports by BIS and the Nuclear Regulatory Commission. This system includes Department of Energy declaration line items, interagency vetting and generation of final declarations. The application development is anticipated to be completed by December 31, 2017. The system is being developed as a cloud-hosted application and will minimize the requirement for hardware/software maintenance costs in the out years as well as automating the current labor intensive manual process used for processing the submissions and generating reports. After initial application development, annual operations and maintenance of the program will result in a \$.7 million reduction from the initial investment cost.

Reductions to existing operations and services totaling \$2.728 million and 1 FTE necessary to pay for increases in existing costs, including pay raises, FERS contributions, and GSA rent, among others.

BIS has realized these savings by incorporating strategic sourcing into the acquisition plan, reallocation of human capital, reducing duplicative activities, transferring IT to new more efficient capabilities that cost less.

Program Change Personnel Detail

Program: Export Administration

Program Change: Workforce Enhancement

Title	Grade	Number	Annual Plan	Total Salaries
IT Specialist	15	-1	149,337	-149,337
EA Reallocation	Multiple		327,214	-327,214
Total		-1		-476,551
Mission Support	2%	0.1		-9,531
Total, full-time permanent		-1		-486,082
FY 2018 pay raise	1.9%			-9,236
Total, full-time permanent		-1		-495,318

Personnel Data:	Number
Full-time Equivalent Employment	
Full-time Permanent	-1
Other than full-time permanent	0
Total	-1
Authorized Positions:	
Full-time Permanent	-1
Other than full-time permanent	0
Total	-1

Program Change Detail by Object Class

(Dollar amounts in thousands)

Program: Export Administration

Program Change: Workforce

Object Class:		FY 2018 Decrease
Personnel Compensation		
11.1	Full-time permanent	-495
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	0
11.8	Special personnel services payments	0
11.9	Total personnel compensation	-495
12.1	Civilian personnel benefits	-140
13	Benefits for former personnel	0
21	Travel and Transportation of persons	-10
22	Transportation of things	-3
23.1	Rental payments to GSA	-20
23.2	Rental payments to others	0
23.3	Communications, Utilities and Miscellaneous charge	-13
24	Printing and Reproduction	-2
25	Other Services	-2,021
26	Supplies and Materials/Fuel	-5
31	Equipment	-20
32	Lands and Structures	0
33	Investments and Loans	0
41	Grants, Subsidies, and Contributions	0
42	Insurance claims and indemnities	0
43	Interest and Dividends	0
44	Refunds	0
99	Total Obligations	-2,728

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
 Operations and Administration
 Program and Performance: Direct Obligations
Preferred Level Request
 (Dollar amounts in thousands)

<u>Comparison by Program:</u>		2016		2017		2018		2018		Increase/	
		Actual		Estimate		Base		Estimate		Decrease	
		Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount	Personnel	Amount
Export Enforcement.....	Pos./BA	199	\$47,897	199	\$47,897	199	\$48,492	217	\$50,789	18	\$2,297
	FTE/Obl	161	\$47,019	189	\$48,251	189	\$48,492	202	\$50,789	13	\$2,297

**Department of Commerce
Bureau of Industry and Security
Operations and Administration
Program Justification**

APPROPRIATION ACCOUNT: Operations and Administration

Budget Program: Export Enforcement

For FY 2018, BIS requests an increase of \$1.922 million and 13 FTE over the FY 2017 annualized CR for a total of \$50.789 million and 202 FTE for Export Enforcement (EE). This comprises an increase of \$.595 million in adjustments-to-base.

BASE JUSTIFICATION:

Export Enforcement (EE) Overview

EE enforces export controls of the Export Administration Regulations (EAR) for reasons of national security, nonproliferation, anti-terrorism, foreign policy, and short supply. These enforcement actions are taken pursuant to the Export Administration Act (EAA).¹ EE also enforces U.S. anti-boycott laws and regulations by advising U.S. exporters and banks on the substance and application of the EAR; monitoring and analyzing trends in boycott activity; and conducting investigations and pursuing criminal and administrative sanctions for violations. EE protects national security by facilitating secure U.S. exports while combatting the proliferation of nuclear, missile, chemical/biological weapons of mass destruction (WMD) and their delivery systems, preventing the diversion of EAR-controlled items to unauthorized military end users or end uses, including the destabilizing accumulation of conventional weapons, and denying human rights abusers and terrorist groups and terrorist-supporting countries access to U.S. items for improper end uses.

Sub-Office Descriptions

EE is organized into three sub-programs under the Operations and Administration account:

¹ 50 U.S.C. app. §§ 2401-2420 (2000). Since August 21, 2001, the Act has been in lapse and the President, through Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. 783 (2002)), which has been extended by successive Presidential Notices, the most recent of which was August 4, 2016 (81 Fed. Reg. 52587 (Aug. 8, 2016)), has continued the Regulations in effect under the International Emergency Economic Powers Act (50 U.S.C. § 1701, et seq.) (2006 & Supp. IV 2010).

1. The **Office of Export Enforcement (OEE)** sub-program responsibilities include investigating violations, working with the Department of Justice for criminal prosecution, and independently imposing civil sanctions for violations against the EAR, International Emergency Economic Powers Act (IEEPA), the Chemical Weapons Convention Implementation Act (CWCIA), the Fastener Quality Act (FQA), and related statutes and regulations.

OEE prioritizes its enforcement activities with the President's national security priorities, including cases relating to the proliferation of Weapons of Mass Destruction (WMD), terrorism, and diversion to military end uses by foreign governments contrary to U.S. national security interests. The primary objectives are to detect and prevent the illegal export of controlled goods and technology; investigate violators of U.S. export controls, anti-terrorist and public safety laws and regulations; and conduct outreach that educates the business community in violation prevention.

OEE Special Agents have traditional police powers, including the authority to make arrests, execute warrants, issue administrative subpoenas, detain and seize goods. Investigations can result in the imposition of criminal penalties as well as administrative penalties (including civil monetary fines, imposition of training and audit requirements, and export denials). To help detect and prevent diversions of U.S. goods to countries and end users of proliferation concern, OEE Special Agents conduct end use checks, on both pre-license checks and post-shipment verifications, for licensed and unlicensed transactions.

End use checks are conducted by BIS Special Agents through a program called the "Sentinel" program utilizing domestic-based BIS Special Agents, who visit foreign consignees and end-users of U.S. commodities and technology. Special Agents conduct end use checks to determine if the export transactions are in compliance with U.S. export regulations. In addition to conducting on-site end use visits, the teams train American Embassy/ Consulate officials to conduct end use checks and educate host government officials as well as local importers about U.S. export control requirements. The Sentinel program generally covers gaps in areas of the world not included in the Export Control Officers regional areas of responsibility.

Other OEE preventive enforcement measures include seeking temporary denials of export privileges where a violation is imminent, reviewing Electronic Export Information (EEDI), utilizing intelligence research and analysis to better target OEE's nonproliferation and anti-terrorism enforcement efforts, and screening export license applications against other law enforcement databases.

OEE's outreach objectives include education programs to train exporters to identify and avoid illegal transactions, improving government-wide export enforcement efforts through increased cooperation with other U.S. Government export control and enforcement

agencies, and working cooperatively with foreign governments to help them acquire enforcement capabilities needed for fully effective export control programs.

2. The **Office of Enforcement Analysis (OEA)** sub-program protects national security by monitoring and evaluating export transactions through the analysis of trade data and private, public, and government classified and unclassified information to ensure compliance with the EAR, the Chemical Weapons Convention Regulations (CWCR), and other laws and regulations related to export controls subject to BIS jurisdiction. These efforts facilitate trade and promote U.S. exports while protecting national security by countering the unauthorized use of sensitive items by foreign parties of national security concern. OEA's priorities are to combat the proliferation of nuclear, chemical or biological WMD and their delivery systems inimical to U.S. interests, to prevent diversion of EAR-controlled items to unauthorized military end users or end uses, including the destabilizing accumulation of conventional weapons, and to deny terrorist groups and terrorist-supporting countries access to U.S. items for the development and manufacture of weapons, including improvised explosive devices or other items used to support or commit terrorist acts.

OEA manages a cadre of Special Agents that serve as Export Control Officers assigned to specific Embassies/Consulates with the U.S. Commercial Service to conduct end use checks and educate host government officials as well as local importers, throughout regional areas of responsibly, about U.S. export control requirements. OEA is the only national security office specifically chartered to conduct intelligence analysis of export transactions to identify and prevent the illicit proliferation and misuse of EAR-controlled items. To accomplish this critical national security mission, OEA analyzes export and export license transactions, directs and conducts overseas end-use checks, including through its Export Control Officer program, to verify the bona fides of foreign parties to export transactions, targets illicit procurement networks that result in investigative leads to OEE Special Agents to warn U.S. companies about suspicious procurement attempts or identify potential export violations, identifies parties of national security concern for designation on BIS proscribed party lists, provides analytical support to ongoing OEE law enforcement investigations, and coordinates enforcement policy and outreach with international partners and industry. These efforts protect U.S. national security, public safety, and economic growth through: preventing procurements in support of WMD and unauthorized military programs, human rights abuses, and terrorism; ensuring companies that put in place an export compliance program are not disadvantaged by those seeking to circumvent U.S. export control rules; and identifying reliable transaction parties which increases secure U.S. trade through facilitation of BIS's review of license applications and assistance to U.S. exporters in screening suspicious inquiries.

3. The **Office of Anti-boycott Compliance (OAC)** sub-program administers and enforces the anti-boycott provisions of the EAR. The objective of these regulations is to discourage, and in some circumstances, prohibit U.S. companies from taking certain actions in furtherance or support of any unsanctioned foreign boycott against a country friendly to the United States, including the Arab League boycott of Israel. The Regulations prohibit compliance by U.S. entities with certain requests to provide information about business relationships with boycotted countries or with blacklisted persons and require reporting receipt of certain boycott-related requests to OAC.

The anti-boycott provisions of the EAR apply to all "U.S. persons," defined to include individuals and companies located in the United States and their foreign affiliates, when their activities relate to the sale, purchase, or transfer of goods or services (including information) within the U.S. or between the U.S. and a foreign country. This includes U.S. exports and imports, financing, forwarding and shipping, and certain other transactions that may take place wholly offshore.

OAC accomplishes its mission by assisting the regulated public to understand and comply with the anti-boycott regulations; by monitoring reports of requests to comply with unsanctioned foreign boycotts received by U.S. businesses; and by conducting investigations, initiating enforcement actions, and sanctioning violators of the anti-boycott provisions of the EAR. OAC assists the regulated public in complying with the anti-boycott regulations through its outreach efforts. These include presentations at export control seminars and conferences through which OAC explains to exporters, freight forwarders, bankers, lawyers, and others the substance and application of the anti-boycott provisions of the EAR to export transactions. Additionally, OAC operates a telephone and e-mail Advice Line, providing answers to the exporting community's specific anti-boycott questions on a daily basis and assisting companies to negotiate removal of boycott-related barriers to an export transaction.

The EAR requires U.S. persons to report to BIS the receipt of certain requests to comply with unsanctioned foreign boycotts. These reports include the language of the request received by the reporting entity and the identity of the boycotting country initiating the request. OAC reviews the report forms and maintains a database of these boycott-related requests. OAC monitors and analyzes the database to identify trends in boycott activity by source and by type, and contributes this data annually to the Congress. Further, OAC works closely with the Department's governmental partners at the Department of State's Office of the Near East, the Department of Commerce's International Trade Administration, the Department of Treasury's Office of General Counsel, responsible for administering the anti-boycott portion of

the Internal Revenue Code, and the U.S. Trade Representative to ensure coordinated United States government policy regarding anti-boycott compliance.

Noteworthy Accomplishments/Investigation Results:

EE has seen more tangible results than in any other time in our history. In the past seven years (2010-2016) EE averaged over \$74 million in fines related to criminal violations with the assistance of the Department of Justice over \$26 million in administrative fines levied directly by BIS, and approximately \$46 million in forfeitures on a yearly basis. BIS is the only agency that can pursue both criminal and administrative penalties in this area of law. As an example, while pursuing criminal cases (as described below in more detail) EE adjudicated an average of 57 administrative enforcement cases per year resulting in over \$24 million per year in fines. The above statistics do not represent the ever important non-financial impact on crime prevention, disruption of illegal procurement, and less obvious benefits to National Security. All of these funds are remitted to the U.S. Treasury.

On March 22, 2017, China's Zhongxing Telecommunications Equipment Corporation and ZTE Kangxun Telecommunications Ltd., known collectively as ZTE, was penalized a record combined civil and criminal penalty of \$1.19 billion, after illegally shipping telecommunications equipment to Iran and North Korea in violation of the Export Administration Regulations (EAR) and the Iranian Transactions and Sanctions Regulations (ITSR). ZTE has agreed to pay a penalty of \$661 million to Commerce's Bureau of Industry Security (BIS), with \$300 million of that amount suspended during a seven-year probationary period to deter future violations. The U.S. District Court for the Northern District of Texas imposed \$430,488,798 in combined criminal fines and forfeiture on ZTE as part of a plea agreement with the Department of Justice. ZTE has also agreed to pay the Department of the Treasury's Office of Foreign Assets Control (OFAC) \$100,871,266 pursuant to a settlement agreement.

The penalty consists of a record combined civil and criminal penalty of \$1.19 billion. The penalty resulting from this case represents the largest ever in a sanctions investigation administered under IEEPA.

On April 30, 2015, Schlumberger Oilfield Holdings Limited (SOHL), a Schlumberger Limited (SLB) subsidiary, pled guilty and was sentenced in U.S. District Court for the District of Columbia. SOHL pled guilty to conspiracy for actions related to business activities in Iran and Sudan. SLB reached a settlement agreement with the U.S. Department of Justice and BIS in March 2015 wherein the company agreed to pay a penalty of \$232,708,356 and serve three years of probation.

The penalty consists of a criminal fine of \$155,138,904 and a criminal forfeiture of \$77,569,452. The criminal penalty resulting from this case represents the largest at that time in a sanctions investigation administered under IEEPA.

Between early 2004 and June 2010, Drilling & Measurements (D&M), a U.S.-based Schlumberger business segment, provided oilfield services to Schlumberger customers in Iran and Sudan through its non-U.S. subsidiaries of SOHL. Although SOHL had policies and procedures designed to ensure that D&M did not violate U.S. sanctions, SOHL failed to train its employees adequately to ensure that all U.S. persons, including non-U.S. citizens who resided in the United States while employed at D&M, complied with Schlumberger Ltd.'s sanctions policies and compliance procedures. D&M employees approved and disguised the company's capital expenditure requests from Iran and Sudan for the manufacture of new oilfield drilling tools and for the spending of money for certain company purchases; made and implemented business decisions specifically concerning Iran and Sudan; and provided technical services and expertise in order to troubleshoot mechanical failures and to sustain expensive drilling tools and related equipment in Iran and Sudan.

On January 6, 2016, FIMCO FZC, an Iranian company, was sentenced in U.S. District Court for the Middle District of Pennsylvania to a \$100,000 criminal fine. On July 24, 2015, FIMCO pled guilty to conspiracy to evade export licensing controls in connection with the illegal export of a bar peeling machine to Iran via the United Arab Emirates. In addition, on July 27, 2015, the Assistant Secretary of Export Enforcement signed a final order in the administrative matter against FIMCO. To resolve the allegations, FIMCO agreed to a civil penalty of \$837,500. The agreement calls for FIMCO to pay an out-of-pocket penalty of \$587,500 with the remaining \$250,000 suspended for two years and thereafter waived in its entirety so long as FIMCO complies with the terms of its plea agreement and any sentence imposed by the Court; makes full and timely payment of the out-of-pocket civil penalty; and does not commit a violation of the Export Administration Regulations (EAR) during the two-year probationary period. FIMCO has also agreed to a two-year suspended denial of its export privileges.

The FIMCO case features the first time an Iranian company has pled guilty in U.S. District Court in an OEE case, and the first time an Iranian company has settled with BIS as part of a global resolution of administrative and criminal export control violations.

In addition, the Deputy Assistant Secretary for Export Enforcement signed a final order holding Helmut Oertmann and his company Hetran jointly and severally liable for a civil penalty of \$837,500. Both parties pled guilty in April 2014 to smuggling goods from the U.S. in connection with the illegal export of a bar peeling machine, valued at more than \$800,000, to Iran. The machine is used in the production of high grade steel or Abright steel, a product used,

among other things in the manufacture of aircraft parts. On or about June 2009, Hetran was contacted by representatives of FIMCO and Crescent International, an affiliated company based in Dubai.

FIMCO wanted to purchase the peeler but during negotiations it became apparent that the peeler was intended for shipment to Iran. Aware that it was unlikely that such a license would be granted, Hetran, Oertmann and other co-conspirators agreed to falsely state on the shipping documents that the end-user of the peeler was Crescent International in Dubai.

SIGNIFICANT ADJUSTMENTS-TO-BASE (ATBs):

BIS requests a net increase of \$.595 million and 0 FTE to fund adjustments-to-base to current programs for EE activities. The increase will fund the estimated 2018 Federal pay raise of 1.9 percent. The increase will also provide inflationary increases for non-labor activities, including service contracts, utilities, field office lease payments, and rent charges from the General Service Administration (GSA).

PROGRAM CHANGES FOR FY 2018

Program Increase:

National CONUS Basing Plan for 19 New Special Agents

BIS's Office of Export Enforcement (OEE) is an elite law enforcement organization recognized for its expertise, professionalism, integrity, and accomplishments. OEE accomplishes its mission through preventative and investigative enforcement activities and then, pursuing appropriate criminal and administrative sanctions against export violators. OEE investigations result in criminal sanctions for violations, including incarceration and fines. Ultimately it is the Special Agents on the front lines that are challenged with assisting legitimate export traders to comply with export control and anti-boycott requirements, preventing violations before they occur, and bringing willful export control violators to justice. Therefore BIS is requesting additional agents to be strategically placed throughout the continental United States to assist in this effort.

BIS has identified areas that are high in export activity along with increased numbers of leads to possible export violations which BIS is not able to investigate. Everything from unwitting exporters shipping to unreliable recipients to sophisticated illicit diversion networks are increasing nationwide as the amount of exports grows. Since BIS cannot be everywhere, the Bureau is identifying hotspots comprised of concentrations of exporters of sensitive items. Currently, in order to reach many of these locations, Special Agents in Charge report they are constantly sending special agents on temporary duty to conduct investigations but the number of leads and investigations continues to grow. In all of these locations, OEE has been asked by

other federal agencies (FBI, HSI, and the DoD investigative agencies) to assign one or more special agent(s) to their locale to help work an ever increasing number of export cases.

BIS is requesting 19 additional agents in the following locations:

New York Field Office 1 FTE (1 Agent to New York Field office to work Manhattan, NYC)

This office has been especially productive in cases involving direct support to terrorism. They are also working organized crime, carbon fiber, optics, microwave amplifiers, and myriad front companies. The New York area has the largest cargo airport and second largest seaport in the country.

Dallas Field Office 2 FTE (1 Agent to Dallas Field Office and 1 Agent to Houston Resident Office)

In the past 5 years, the Dallas and Houston offices developed three of the largest cases in BIS history. They include the Weatherford, Schlumberger, and ZTE cases. Commodities subject to export control include oil and gas equipment, telecomm equipment, and microelectronics diversion cases. Workload estimates do not project a decrease in the caseload and, in fact, equally large cases are expected to be developed over the next few years.

Chicago Field Office 2 FTE (2 Agents to an existing FAIP (Forward Assigned Initiative Program – with DoD and FBI) in Minneapolis, MN)

By adding two additional Special Agents to Minneapolis, OEE will be able to respond to an increase in proliferation cases involving microelectronics being diverted to Iran and China. BIS also expects more Improvised Explosive Devices (IED) cases being developed in close collaboration with the local FBI Joint Terrorism Task Force.

Los Angeles Field Office 3 FTE (1 Agent to an existing FAIP in Phoenix and 2 to a new FAIP in New Mexico)

Work in this location is expected to yield cases involving missile technology. OEE has seen multiple attempts by *Iran Air* to procure aircraft and parts from local aircraft “boneyards.” Items at risk also include parts used by the National Labs located in and around the Albuquerque area (Sandia and Los Alamos). BIS has noted indicators that adversarial countries are attempting to establish front companies in this area.

Miami Field Office 2 FTE (1 Agent to a new FAIP in Jacksonville, FL and 1 Agent to a new FAIP in Huntsville, AL)

Huntsville, AL is a “hot spot” for satellite components and parts and increasing numbers of deemed export cases. There are over 400 defense contractors in the area. Jacksonville, FL area (also servicing Savanna, GA) covers two of the largest seaports in the country with \$19 Billion

worth of cargo from Jacksonville alone. Commodities include all types of controlled Commerce items.

Boston Field Office 3 FTE (1 Agent to Boston Field Office and 2 Agents to a new FAIP in Connecticut)

There has been a recent uptick in cases within Boston's area of responsibility involving the defense industry. Recent cases involved theft of F-35 designs. United Technologies will continue to be at high risk.

Connecticut is difficult and expensive to service from the Boston Office. Controlled items include military avionics, naval systems, microelectronics, and thermal imaging. Also, there are approximately 20 firearms manufacturers in area serviced by the Boston Field Office.

Washington Field Office 2 FTE (2 Agents to an existing FAIP in Cincinnati, OH)

Given in the increase in leads and overall exporting activity by industry, BIS expects Cincinnati will experience increases in exports of industrial machines for petro-chemical use and nuclear parts/commodities. We also expect to see a concurrent increase in diversion cases through Canada. Cincinnati is a major air cargo hub, with a major international cargo export facility. We expect to expand an already well-developed relationship with DHL and our LE partners in the Cincinnati area which should lead to a greater number of detentions of illegal exports. We are also seeing significant activity in Kentucky and Ohio involving Research and Development (R&D) companies and are working to identify illicit activity and potential leads in those states.

San Jose Field Office 1 FTE (1 Agent to a new FAIP in Seattle, WA)

The Seattle area has seen an increase in missile technology cases (accelerometers). The Seattle office will further support the work of the Portland RAC Office for cases involving high-level test equipment and Unmanned Aerial Vehicle (UAV) parts and components. Boeing, with a major manufacturing center in Seattle, is the world's largest aerospace company and a leading manufacturer of commercial jetliners and defense, space and security systems. A top U.S. exporter, the company supports airlines and U.S. and allied government customers in 150 countries. Boeing products and tailored services include commercial and military aircraft, satellites, weapons, electronic and defense systems, launch systems, advanced information and communication systems, and performance-based logistics and training.

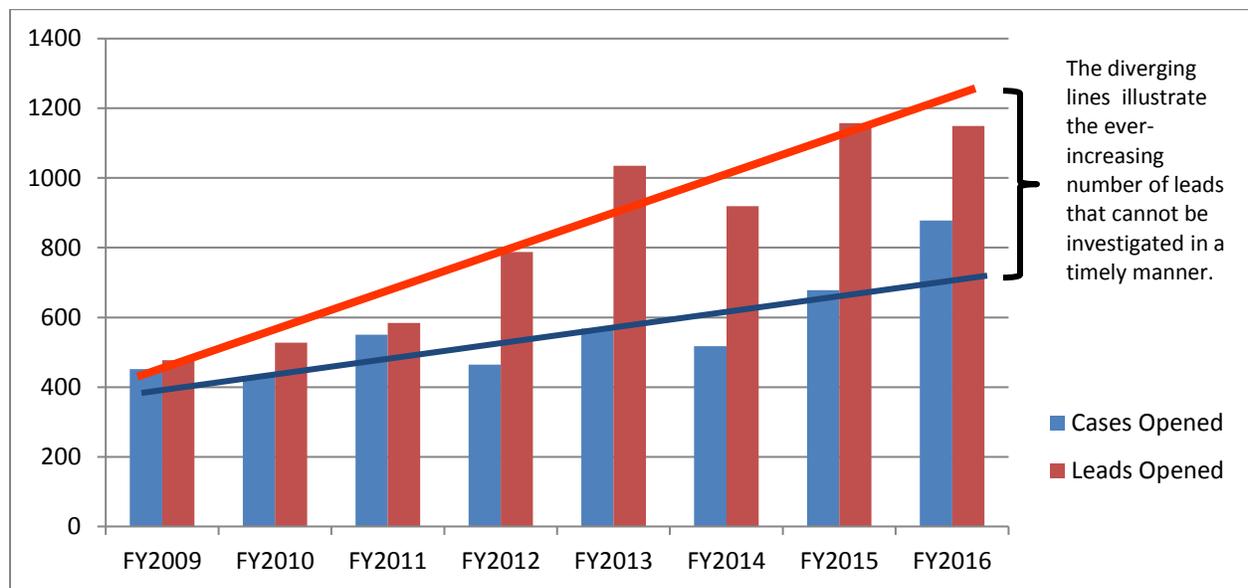
National Security Programs (Washington DC Headquarters) **3 FTE** (2 Agents into the existing Seized Computer Evidence Recovery Specialist SCERS program and 1 Agent into the National Security Program). These computer forensics agents capitalize on specialized IT skills to gather and recover evidence from computer and telecommunications devices, and present and authenticate that evidence at trial.

The SCERS program (computer forensics section) services the entire agency and unlike in the past, nowadays, cases BIS investigates includes computer evidence in some form, and these forensic skills are vital for future success.

Historical Data (2009-2016)

The graph below shows the upward trend of leads versus cases. In summary, a lead is a potential criminal and/or civil violation that has not yet been opened as a case. While BIS has this backlog, there will be significant violations that may never be investigated.

OEE Cases and Leads Opened FY2009 - FY2016



	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	TOTAL
Total # Cases Opened ¹	452	431	550	464	568	517	678	878	4,538
Total # Leads Opened	477	527	584	788	1,035	919	1,157	1,149	6,636
TOTAL # Cases & Leads	929	958	1,134	1,252	1,603	1,436	1,835	2,027	11,174

¹Open cases are investigations that are being actively worked by a Special Agent.

Program Change Personnel Detail

Program: Export Enforcement (EE)

Program Change: National Conus Basing Plan

Title	Grade	Number	Annual Plan	Total Salaries
Special Agents	13	19	107,435	2,041,265
<hr/>				
Total		19		2,041,265
Less Lapse	25%	-5		-510,316
Mission Support	2%	0.1		40,825
<hr/>				
Total, full-time permanent		14		1,571,774
FY 2018 pay raise	1.9%			29,864
Plus Availability Pay	25%			392,944
<hr/>				
Total, full-time permanent		14		1,994,581

Personnel Data:	Number
Full-time Equivalent Employment	
Full-time Permanent	14
Other than full-time permanent	0
Total	14
Authorized Positions:	
Full-time Permanent	19
Other than full-time permanent	0
Total	19

Program Change Detail by Object Class

(Dollar amounts in thousands)

Program: Export Enforcement (EE)

Program Change: National Conus Basing Plan

Object Class:		FY 2018 Increase
Personnel Compensation		
11.1	Full-time permanent	1,995
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	0
11.8	Special personnel services payments	0
11.9	Total personnel compensation	1,995
12.1	Civilian personnel benefits	558
13	Benefits for former personnel	0
21	Travel and Transportation of persons	19
22	Transportation of things	0
23.1	Rental payments to GSA	190
23.2	Rental payments to others	0
23.3	Communications, Utilities and Miscellaneous charge	124
24	Printing and Reproduction	15
25	Other Services	659
26	Supplies and Materials/Fuel	54
31	Equipment	190
32	Lands and Structures	0
33	Investments and Loans	0
41	Grants, Subsidies, and Contributions	0
42	Insurance claims and indemnities	0
43	Interest and Dividends	0
44	Refunds	0
99	Total Obligations	3,803

Program Offset:

CONUS Export Control Office (ECO)

Over the last few years, BIS has noted that proliferators/diverters of strategic materials have become more enterprising and more agile in their responses to our enforcement actions. Criminal enterprises and nation states seeking to unlawfully obtain desired U.S. strategic materials now quickly adjust to reroute shipments through any pathway that will successfully deliver the desired materials in a timely manner. In order to react more quickly to evolving changes in proliferation/diversion trends BIS is modifying its business practices. Greater flexibility can be gained by positioning personnel in the U.S. that can respond to evolving threats in unanticipated locations at less cost than stationing overseas. This model will not work for all countries but will be applied where appropriate to reduce costs and increase efficiencies. BIS began the program by basing a second ECO for the United Arab Emirates (UAE) in the continental U.S. (CONUS). With the scheduled return of the India ECO, BIS proposes to close the current ECO post in India and redirect resources to establish a CONUS ECO position under the existing Sentinel program to monitor the India Region and respond to deal with emerging proliferation/diversion routes. As other locations present themselves BIS will assess the best strategy for each and either request additional CONUS ECOs or in-country ECOs as appropriate. The CONUS positions will be located within the United States and travel to these locations in absence of overseas presence in the region. This action plan achieves a savings of approximately \$1M in spending on permanent personnel compensation and operational expenses abroad. Moreover, it allows BIS to broaden the program and enhance its national security and anti-terrorism efforts with increased flexibility in redirecting and conducting end use checks in emerging hotspots as the world changes.

Additional reductions to existing operations and services totaling \$.506 million and 1 FTE necessary to pay for increases in existing costs, including pay raises, FERS contributions, and GSA rent, among others. BIS has realized these savings by incorporating strategic sourcing into the acquisition plan, reallocation of human capital, reducing duplicative activities, transferring IT to new more efficient capabilities that cost less.

Program Change Personnel Detail

Program: Export Enforcement (EE)

Program Change: Program Offset

Title	Grade	Number	Annual Plan	Total Salaries
Special Agents	13	-1	113,989	(113,989)
Total		-1		-113,989
Mission Support	2%	0.1		-2,280
Total, full-time permanent		-1		-116,269
FY 2018 pay raise	1.9%			-2,209
Plus Availability Pay	25%			-29,067
Total, full-time permanent		-1		-147,545

Personnel Data:	Number
Full-time Equivalent Employment	
Full-time Permanent	-1
Other than full-time permanent	0
Total	-1
Authorized Positions:	
Full-time Permanent	-1
Other than full-time permanent	0
Total	-1

Program Change Detail by Object Class

(Dollar amounts in thousands)

Program: Export Enforcement (EE)

Program Change: Program Offset

Object Class:		FY 2018 Increase
Personnel Compensation		
11.1	Full-time permanent	-118
11.3	Other than full-time permanent	0
11.5	Other personnel compensation	0
11.8	Special personnel services payments	0
11.9	Total personnel compensation	-118
12.1	Civilian personnel benefits	-172
13	Benefits for former personnel	0
21	Travel and Transportation of persons	-123
22	Transportation of things	0
23.1	Rental payments to GSA	-30
23.2	Rental payments to others	0
23.3	Communications, Utilities and Miscellaneous charge	-7
24	Printing and Reproduction	-1
25	Other Services	-1,043
26	Supplies and Materials/Fuel	-3
31	Equipment	-10
32	Lands and Structures	0
33	Investments and Loans	0
41	Grants, Subsidies, and Contributions	0
42	Insurance claims and indemnities	0
43	Interest and Dividends	0
44	Refunds	0
99	Total Obligations	-1,506

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Summary of Requirements by Object Class
(Dollar amounts in thousands)

Object Class	2016 Enacted	2017 Estimate	2018 Base	2018 Estimate	Increase/ Decrease
Personnel compensation:					
11.1 Full-time permanent	\$43,770	\$43,770	\$44,746	\$46,129	\$1,383
11.3 Other than full-time permanent	\$257	\$257	\$262	\$262	\$0
11.5 Other personnel compensation	\$3,196	\$3,196	\$3,253	\$3,253	\$0
11.8 Special personnel services payments	\$42	\$42	\$43	\$43	\$0
11.9 Total personnel compensation	\$47,265	\$47,265	\$48,304	\$49,687	\$1,383
12.0 Civilian personnel benefits	\$16,402	\$16,402	\$16,720	\$17,091	\$371
13.0 Benefits for former personnel	\$46	\$46	\$46	\$46	\$0
21.0 Travel and transportation of persons	\$3,503	\$3,503	\$3,487	\$3,352	-\$135
22.0 Transportation of things	\$227	\$227	\$230	\$246	\$16
Rent, communications, and utilities:					
23.1 Rental payments to GSA	\$6,932	\$6,932	\$7,075	\$7,215	\$140
23.2 Rental payments to others	\$26	\$26	\$26	\$26	\$0
23.3 Communications, utilities and miscellaneous charges	\$2,171	\$2,171	\$2,178	\$2,282	\$104
24.0 Printing and reproduction	\$270	\$270	\$271	\$283	\$12
Consulting and other services					
25.1 Advisory and assistance services	\$817	\$817	\$817	\$817	\$0
25.2 Other services	\$14,779	\$14,779	\$15,234	\$12,474	-\$2,760
25.3 Purchase of goods and services from Government accounts	\$16,032	\$16,032	\$15,532	\$15,532	\$0
26.0 Supplies and materials	\$1,958	\$1,958	\$2,133	\$2,179	\$46
31.0 Equipment	\$2,072	\$2,072	\$2,110	\$2,270	\$160
32.0 Lands and structures	\$0	\$0	\$0	\$0	\$0
33.0 Investments and loans	\$0	\$0	\$0	\$0	\$0
41.0 Grants, subsidies and contributions	\$0	\$0	\$0	\$0	\$0
42.0 Insurance claims and indemnities	\$0	\$0	\$0	\$0	\$0
43.0 Interest and dividends	\$0	\$0	\$0	\$0	\$0
50.0 Depreciation	\$0	\$0	\$0	\$0	\$0
99.0 Total Obligations	\$112,500	\$112,500	\$114,163	\$113,500	-\$663
Less: Absorption	\$0	\$0	\$0	\$0	\$0
Less: Recoveries	\$0	\$0	\$0	\$0	\$0
Less: Unobligated balance, start of year	\$0	\$0	\$0	\$0	\$0
Plus: Unobligated balance, rescission	\$0	\$0	\$0	\$0	\$0
Plus: Unobligated balance, end of year	\$0	\$0	\$0	\$0	\$0
Plus: Unobligated balance, expiring	\$0	\$0	\$0	\$0	\$0
Plus: Unobligated balance, transferred	\$0	\$0	\$0	\$0	\$0
Less: Transferred from other accounts	\$0	\$0	\$0	\$0	\$0
Plus: Transferred to other accounts	\$0	\$0	\$0	\$0	\$0
99.1 Total Budget Authority	\$112,500	\$112,500	\$114,163	\$113,500	-\$663

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Appropriation Language and Code Citations

1. "For necessary expense for export administration and national security activities of the Department of Commerce"

A. Export Administration

50 U.S.C. 4601 et seq.
 10 U.S.C. 7430(e)
 22 U.S.C. 2778
 22 U.S.C. 2799aa-1(b)
 22 U.S.C. 6001-6005
 22 U.S.C. 7201-7211
 22 U.S.C. 8544
 22 U.S.C. 8551(c)(2)
 42 U.S.C. 2139a
 15 U.S.C. 1824a
 50 U.S.C. 1701 et seq.

50 U.S.C. Sections 4601-4623 (Export Administration Act of 1979, as amended) (EAA) provides authority for the regulation of exports of dual-use items for reasons of national security, foreign policy, or short supply. It also authorizes implementation of restrictions on compliance with foreign boycotts and other restrictive trade practices. The EAA expired on August 20, 2001.

Executive Order 13222 of August 17, 2001 (3 C.F.R., 2001 Comp. p. 783 (2002)), as amended by Executive Order 13637 of March 8, 2013, 78 FR 16129 (March 13, 2013), and as extended by successive Presidential Notices, most recently by the Notice of August, 2016 (Fed. Reg. (Aug., 2016))), continues the provisions of the EAA in effect, to the extent permitted by law, under authority of the International Emergency Economic Powers Act (50 U.S.C. 1701 et seq.) (IEEPA).

10 U.S.C. 7430(e) is a provision related to the export of oil and gas.

22 U.S.C. 2778 (note) was amended by Section 1261 of the National Defense Authorization Act for Fiscal Year 2013, which repealed previous legislation that had placed satellites and related items on the United States Munitions List. Section 1261 permits the President to remove these items from the United States Munitions List and place them on the Commerce Control List.

22 U.S.C. 2799aa-1(b) requires the President to impose sanctions, including prohibiting exports of specific goods and technologies, pursuant to the requirements of the Foreign Assistance Act of

1961 (22 U.S.C. 2151 et seq.), on a non-nuclear-weapon state that receives or detonates a nuclear explosive device.

22 U.S.C. 6001-6010 set forth provisions of the Cuban Democracy Act, as amended by the Cuban Liberty and Democratic Solidarity (Libertad) Act, 22 U.S.C. 6021-6091, related to certain exports to Cuba.

22 U.S.C. 7201-7211 (Trade Sanctions Reform and Export Enhancement Act of 2000, as amended) sets forth a licensing regime for the export of agricultural commodities, medicines, and medical devices to designated terrorism-supporting countries.

22 U.S.C. 8544 authorizes the Secretary of Commerce to designate any employee of the Office of Export Enforcement of the Department of Commerce to conduct certain activities specified under the Export Administration Act of 1979, 50 U.S.C. 4614(a)(3)(B), when the employee is carrying out activities to enforce: (1) the provisions of the Export Administration Act of 1979; (2) a provision of Title III of the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 or any other provision of law relating to export controls with respect to which the Secretary of Commerce has enforcement responsibility; or (3) any license, order, or regulation issued under the Export Administration Act of 1979 or any other provision of law relating to export controls with respect to which the Secretary of Commerce has enforcement responsibility.

22 U.S.C. 8551(c)(2) authorizes the appropriation of sums to carry out the Office of Export Enforcement's law enforcement activities under 22 U.S.C 8544.

42 U.S.C. 2139a sets forth the Commerce Department's responsibility for controlling the export of dual-use items of significance for nuclear explosive purposes.

15 U.S.C. 1824a prohibits the export of horses by sea for purposes of slaughter.

50 U.S.C. 1701 et seq. (International Emergency Economic Powers Act, as amended) provides that the President may declare a national emergency to deal with an extraordinary threat to the U.S. national security, foreign policy, or economy. Sanctions statutes, including the Iran Sanctions Act and the Iran-Iraq Arms Non-Proliferation Act, are codified as notes to this section.

B. National Security

10 U.S.C. 2531-2532

19 U.S.C. 1862

22 U.S.C. 6701 et seq.

22 U.S.C. 8101 et seq.

42 U.S.C. 300j

42 U.S.C. 5195

50 U.S.C. 82

50 U.S.C. 98-98h

50 U.S.C. 3816

50 U.S.C. 4501 et seq.

10 U.S.C. 2531-2532 authorizes the Secretary of Commerce to review memoranda of understanding and related agreements pertaining to research, development, or production of defense equipment between the Secretary of Defense and one or more foreign countries.

19 U.S.C. 1862 authorizes investigations of the effects on national security of imports of a particular article, and a report of the results of the investigations to the President with a recommendation for action or inaction.

22 U.S.C. 6701 et seq. (Chemical Weapons Convention Implementation Act of 1998) authorizes the President to implement U.S. obligations under the Chemical Weapons Convention (CWC), including requiring reporting by chemical production, processing, and consumption facilities and inspection of such facilities by the Organization for the Prohibition of Chemical Weapons (OPCW) (functions delegated to the Secretary of Commerce in Executive Order 13128, June 25, 1999).

22 U.S.C. 8101 et seq. (United States Additional Protocol Implementation Act) authorizes the President to carry out U.S. obligations under the “Protocol Additional to the Agreement between the United States of America and the International Atomic Energy Agency (IAEA) for the Application of Safeguards in the United States of America” signed in Vienna, Austria, on June 12, 1998. These obligations include reporting requirements of facilities engaged in nuclear activities and inspections of such facilities by members of the IAEA accompanied by U.S. government representatives (functions delegated to the Secretary of Commerce in Executive Order 13458, February 4, 2008).

42 U.S.C. 300j authorizes the issuance of orders requiring the delivery of chemicals or substances necessary for treatment of water (function delegated to the Secretary of Commerce in Executive Order 11879, September 17, 1975).

42 U.S.C. 5195 provides for the development of national emergency plans and preparedness programs to anticipate and minimize the effects of hazards (natural disasters and accidental or man-caused events) on the civilian population (functions delegated to the Secretary of Commerce in Executive Order 12656, November 18, 1988).

50 U.S.C. 82 provides for U.S. Government procurement of ships and material during war (functions delegated to the Secretary of Commerce in Executive Order 12742, January 8, 1991).

50 U.S.C. 98-98h et seq. (Strategic and Critical Materials Stock Piling Act) authorizes the acquisition and retention of stocks of certain strategic and critical materials.

50 U.S.C. 3816 provides for U.S. Government procurement of any articles or materials authorized by Congress (responsibility for all articles and materials except food, energy, and civil transportation delegated to the Secretary of Commerce in Executive Order 12742, January 8, 1991).

50 U.S.C. 4501 et seq. (Defense Production Act of 1950, as amended) authorizes the Bureau of Industry and Security (BIS) to set priorities for performance of defense and energy-related contracts and to allocate materials and supplies that are essential for national defense purposes and for maximization of domestic energy supplies, including the following:

- 50 U.S.C. 4511 provides for U.S. Government priority rating of contracts and orders necessary to promote the national defense (functions partially delegated to the Secretary of Commerce in Executive Order 13603, March 16, 2012).
- 50 U.S.C. 4568 authorizes the Secretary of Commerce to produce the Annual Report on Offsets (functions delegated to the Secretary of Commerce in Executive Order 13603, March 16, 2012).
- 50 U.S.C. 4554 authorizes the President to prescribe such regulations and issue orders appropriate to carry out the Defense Priorities and Allocations System (functions delegated to the Secretary of Commerce in Executive Order 13603, March 16, 2012).
- 50 U.S.C. 4555 authorizes the conduct of investigations and production of records and other documents. The Department of Commerce is also authorized to conduct studies and assessments of the health and competitiveness of the U.S defense industrial base (functions partially delegated to the Secretary of Commerce in Executive Order 13603, March 16, 2012).
- 50 U.S.C. 4565 provides for an interagency committee to determine the effects on national security of mergers, acquisitions, and takeovers that would result in foreign control of persons engaged in interstate commerce in the United States. (The Department of Commerce (via BIS and the International Trade Administration (ITA)) participates as a member of the Committee on Foreign Investment in the United States).

c. Other

15 U.S.C. 1501 et seq.

15 U.S.C. 1501 et seq. provides the basic authority for performance of those functions and activities of BIS which foster, promote, and develop foreign and domestic commerce.

2. including costs associated with the performance of export administration field activities both domestically and abroad;

15 U.S.C. 1531
22 U.S.C. 3922

15 U.S.C. 1531 authorizes the Secretary of Commerce to establish a Buying Power Maintenance account for BIS. This fund is to be used to maintain overseas program activity at the appropriated program levels.

22 U.S.C. 3922 provides that the Secretary of Commerce may utilize the Foreign Service personnel system with respect to personnel performing international trade functions transferred to the Department of Commerce by Reorganization Plan No. 3 of 1979 (5 U.S.C. 903 note) and with respect to other personnel of the Department of Commerce to the extent the President determines to be necessary in order to enable the Department of Commerce to carry out functions which require service abroad.

3. full medical coverage for dependent members of immediate families of employees stationed overseas;

No Specific Authority

This language permits BIS to extend to certain of its overseas employees the same benefits afforded domestically employed Federal employees and employees of ITA's Foreign Commercial Service in equivalent positions overseas.

4. employment of Americans and aliens by contract for services abroad;

No Specific Authority

Federal agencies must have specific legislative authority to procure personal services by contract. See 44 Comp. Gen. 761 (1965); H.R. Rep. No. 188, 89th Cong., 1st Sess. 5-13 (June 1, 1965). This appropriation language gives BIS the flexibility to procure, by contract, services of U.S. citizens or aliens as appropriate. In some cases, it is advantageous to employ aliens who are fluent in the native language of the host country; who are familiar with local practices and procedures; or who only need to be employed for a short period of time. In other cases, it is advantageous to employ U.S. citizens in the host country (generally members of an employee's family) who have greater familiarity with American methods and may require less effort to train.

5. Payment of tort claims, in the manner authorized in the first paragraph of 28 U.S.C. 2672 when such claims arise in foreign countries;

No Specific Authority

28 U.S.C. 2672 provides for settlement of tort claims for money damages of \$25,000 or less against the U.S. by the head of each Federal agency for loss of property, personal injury, or death caused by a negligent or wrongful act or omission of any employee of the Government while acting within the scope of his employment in circumstances where the United States, if a private person, would be liable under local law. However, 28 U.S.C. 2680(k) exempts the settlement of tort claims that arise abroad from the provisions of 28 U.S.C. 2672. The language requested would exempt BIS from 28 U.S.C. 2680, and would authorize the settlement of tort claims against the United States that arise in connection with its activities abroad.

6. not to exceed \$13,500 for official representation expense abroad;

No Specific Authority

Appropriated funds may not be expended for entertainment except when specifically authorized by law. See, e.g., 43 Comp. Gen. 305 (1963). The foregoing language provides such specific authority for BIS to expend up to \$13,500 for entertainment and similar expenses related to its official activities abroad.

7. awards of compensation to informers under the Export Administration Act of 1979, and authorized by 22 U.S.C. 401(b);

50 U.S.C. 4614
22 U.S.C. 401(b)

50 U.S.C. 4614 provides BIS with authority to make investigations and obtain such information as may be necessary to enforce the provisions of the Export Administration Act of 1979, as amended.

22 U.S.C. 401(b) provides for awards of compensation to informers providing information concerning illegal exports of war materials or other articles in violation of the law, when funds are specifically provided therefor.

8. purchase of passenger motor vehicles for official use and motor vehicles for law enforcement use with special requirement vehicles eligible for purchase without regard to any price limitation otherwise established by law;

No Specific Authority

31 U.S.C. 1343 prohibits the purchase of passenger motor vehicles unless specifically authorized by appropriation or other law with the exception of those vehicles purchased for the use of the President of the United States, the secretaries to the President, or specified heads of executive departments.

9. ... to remain available until expended,

No Specific Authority

31 U.S.C. 1301(c) provides that "[a]n appropriation in a regular, annual appropriation law may be construed to be permanent or available continuously only if the appropriation...expressly provides that it is available after the fiscal year covered by the law in which it appears." The foregoing statement, "to remain available until expended," constitutes such express language.

10. *Provided*, That the provisions of the first sentence of section 105(f) and all of section 108(c) of the Mutual Educational and Cultural Exchange Act of 1961 (22 U.S.C. 2455(f) and 2458(c)) shall apply in carrying out these activities: *Provided further*, That payments and contributions collected and accepted for materials or services provided

as part of such activities may be retained for use in covering the cost of such activities, and for providing information to the public with respect to the export administration and national security activities of the Department of Commerce and other export control programs of the United States and other governments.

22 U.S.C. 2455(f)

22 U.S.C. 2458(c)

22 U.S.C. 2455(f) provides authority to accept contributions of funds, property, and services from foreign governments, international organizations, private individuals, firms, associations, agencies, and other groups in carrying out activities pursuant to the Mutual Educational and Cultural Exchange Act of 1961.

22 U.S.C. 2458(c) provides authorization for all necessary expenditures involved in the selection, purchase, rental, construction, or other acquisition of exhibits and the necessary supplies therefor.

The above-quoted appropriations language makes clear that the Mutual Educational and Cultural Exchange Act of 1961 (MECEA) applies to the activities of BIS. The language also authorizes BIS to apply contributions received under MECEA toward the cost of activities conducted under MECEA.

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Consulting and Related Services
(Dollar amounts in thousands)

	FY 2016	FY 2017	FY 2018
	<u>Actual</u>	<u>Annual CR</u>	<u>Estimate</u>
Consulting and Other Services	\$34,575	\$34,190	\$32,086

BIS utilizes consulting services on an as-needed basis to provide expertise unique to specific technical areas for which BIS has limited knowledge or abilities. BIS uses consulting services for a wide range of issues unique to any given year, ranging from computer systems redesign to the establishment of export control expertise to deal with program mandates such as Chemical Weapons, Encryption, Fastener Quality Act, and nonproliferation matters dealing with foreign countries.

Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Periodicals, Pamphlets, and Audiovisual Products
(Dollar amounts in thousands)

	FY 2016	FY 2017	FY2018
	<u>Actual</u>	<u>Annual CR</u>	<u>Estimate</u>
Periodicals and Publications.....	\$263	\$294	\$294

BIS publications, periodicals, and pamphlets are essential tools through which the Bureau fulfills its mission to administer U.S. statues and agreements dealing with export controls.

The major publications and periodicals produced include the Export Administration Regulations, the BIS Annual Report, and the Annual Foreign Policy Report to Congress. Publications play an essential role in keeping the community and the public informed on particular aspects of export control issues.

Pamphlets are primarily used to educate the business community on the functions performed by the Export Administration program and are distributed through Export Administration’s export seminar program during individual business seminars and giving speeches at public functions, and after answering questions from the business community regarding exports.

**Department of Commerce
BUREAU OF INDUSTRY AND SECURITY
Operations and Administration
Average Grade and Salaries**

	FY 2016 <u>Actual</u>	FY 2017 <u>Annual CR</u>	FY 2018 <u>Estimate</u>
Average ES Salary	\$186,601	\$186,601	\$174,601
Average GS Grade	13.01	13.01	13.07
Average GS Salary.....	\$108,126	\$108,126	\$112,615

FY 2017 Annual Performance Plan Bureau of Industry and Security

Part 1: Agency and Mission Information

Section 1.1: Overview

The mission of the Bureau of Industry and Security (BIS) is to advance U.S. national security, foreign policy, and economic objectives by ensuring an effective export control and treaty compliance system, and promoting continued U.S. strategic technology leadership.

The BIS headquarters is located in Washington D.C, with ten field offices and one regional office in Staten Island, NY; Boston, MA; Fort Lauderdale, FL; San Jose, CA; Herndon, VA; Oakbrook Terrace, IL; Irvine, CA; Irving, TX; Houston, TX; and Portland, OR. BIS currently has seven Export Control Officers (ECOs), two located in China, Hong Kong, India, Germany, Singapore, and the United Arab Emirates (UAE).

Section 1.2: Mission Statement

The BIS mission is closely aligned with, and supports, the following Department of Commerce Strategic Objective:

Trade and Investment:

- Increase U.S. exports by broadening and deepening the U.S. exporter base²
 - Implement an effective export control reform program to advance national security, foreign policy, and economic competitiveness.

Section 1.3: Primary BIS Activities

Maintain and strengthen an adaptable and effective U.S. export control and treaty compliance system: BIS administers and enforces controls on exports and re-exports of dual-use items (i.e., those having a commercial and potential military or proliferation application) and various types of military items to advance the national security and foreign policy goals to include: counter proliferation of weapons of mass destruction (WMD), prevent destabilizing accumulations of conventional weapons, and combat terrorism.

²The Export Control Reform Initiative enhanced national security by increasing interoperability with allies; strengthening the defense industrial base and focusing controls on the most significant items and destinations. A key element of the reform was transferring tens of thousands of items – mostly parts and components – from the U.S. Munitions List (USML) to the more flexible Commerce Control List (CCL). This transfer enabled more nuanced distinctions among technologies, destinations, and end users than was the case under the State Department’s International Traffic in Arms Regulations. U.S. exporters of such items, particularly small and medium-sized firms, have benefitted from the transfer and become more competitive. BIS has integrated the Initiative’s procedures as standard practice and will continue them to ensure that the USML and CCL are clear, positive and appropriately control U.S.-origin items, including emerging technologies.

Integrate non-U.S. actors to create a more effective global export control and treaty compliance system: The effectiveness of U.S. export controls is enhanced by strong controls in other nations that export or transship sensitive goods and technologies. BIS works to encourage the participation and enhance the compliance of other members of the multilateral export control regimes and assists countries that are not members in establishing effective export control programs. As part of policy formulation and implementation toward key trading partners and transshipment countries, BIS implements a strong outreach program and utilizes an end-use verification program.

Ensure continued U.S. technology leadership in industries that are essential to national security: BIS works to ensure that the United States remains competitive in industry sectors and sub-sectors critical to national security. To this end, BIS conducts surveys and assessments of key industrial sectors and critical technologies, analyzes the impact of export controls and trade policies on strategic U.S. industries, administers the Defense Priorities and Allocations System, reports on the impact of defense trade offsets, conducts investigations on the effects of imports on national security, and, as a participant in the Committee on Foreign Investment in the United States (CFIUS), evaluates the security impact of certain proposed foreign investments in U.S. companies.

Part 2: Cross-Agency Priority Goals

BIS is not a leader of or a participant in any Cross-Agency Priority Goals.

Part 3: Strategic Goals and Objectives

Section 3.1: Corresponding DOC Strategic Goals and Objectives

Goal	Objective Number	Objective Name	Leader
Trade and Investment	1.2	Increase U.S. exports by broadening and deepening the U.S. exporter base ¹	Ken Hyatt, Acting Under Secretary for International Trade Administration (ITA)

Section 3.2: Strategies for Objectives

BIS has primary responsibility, in coordination with several other agencies, for implementing U.S. export control policy on the less sensitive military and dual-use commodities, software, and technology subject to the Export Administration Regulations (EAR). To accomplish its objectives, BIS administers, and amends as necessary, the EAR. The EAR set forth license requirements and licensing policy for most of the exports from the United States.

Enforcement is an essential aspect of the BIS mission. Enforcement efforts encourage compliance, prevent and deter violations, disrupt illicit activities, and bring violators to justice.

BIS achieves these important objectives through a law enforcement program focused on parties engaged in exports of sensitive commodities, software, and technology to end uses, end users, and destinations of concern.

BIS plays a significant role in the four major multilateral export control regimes and three treaties which deal with specific industry sectors: the Australia Group (chemical and biological nonproliferation), the Missile Technology Control Regime, the Nuclear Suppliers Group, the Wassenaar Arrangement (conventional arms and related dual-use goods, software, and technologies), the Chemical Weapons Convention (chemical weapons nonproliferation), the Additional Protocol to the U.S.-International Atomic Energy Agency Safeguards Agreement (nuclear weapons nonproliferation) and the Biological Weapons Convention (biological weapons nonproliferation). In addition to working with its interagency partners to develop proposals for the amendment of the four regimes' control lists, BIS personnel are essential participants in the multilateral regime meetings.

BIS consults closely with industry on the development of regulatory policy through its Technical Advisory Committees (TAC). The TACs provide valuable input regarding industry. BIS also works with interagency partners to evaluate the health and competitiveness of the U.S. defense industrial base. This is accomplished through site visits, surveys, and participation in industry forums.

Outreach and education are fundamental parts of BIS's activities. BIS conducts numerous outreach events throughout the United States and overseas to educate and update the public on export controls and policy. Through its outreach divisions in Washington, DC and Irvine, CA, BIS offers seminars on a regular basis, at locations around the country and overseas, on a variety of export control-related topics, from introductory overviews to topic-specific in-depth instruction. BIS also provides educational tools, including videos, training modules, electronic tools and webinars on its website, participates in trade shows and other events that offer opportunities for contact with the exporting public, offers counseling services via telephone and e-mail, organizes webinars, teleconferences and town hall meetings on specific topics on an as-needed basis, and helps industry to develop internal compliance programs to assist in complying with the EAR. Additionally, because of positioning throughout the United States, in areas where exporters are concentrated, BIS Special Agents use outreach as an effective tool to educate the exporting public and prevent potential export violations.

Rationale

This objective is important to the nation because it focuses on advancing U.S. national security, foreign policy, and economic interests by enhancing the efficiency of the export control system, preventing illegal exports and identifying violators of export requirements for prosecution, enhancing the export and transit control systems of nations that lack effective control arrangements, ensuring U.S. industry compliance with the Chemical Weapons Convention (CWC) Agreement and the Additional Protocol to the U.S.-International Atomic Energy Agency Safeguards Agreement, and undertaking a variety of functions to support the viability of the U.S. defense industrial base.

The Department continues to focus on the objective of advancing U.S. national security and foreign policy goals as well as the competitiveness of the industrial base. The Department's success in achieving this objective stems from its ability to integrate efforts to support these goals while ensuring profitable markets for U.S. goods and services.

BIS supports this objective by controlling the export, re-export, and transfer of commodities, software and technology subject to the EAR to protect U.S. national security, advance U.S. foreign policy, and support U.S. economic competitiveness. BIS effectively administers the export control system covering less sensitive military items and dual-use items, by: (1) writing and promulgating regulations; (2) processing license applications; (3) enforcing U.S. laws and regulations; (4) conducting outreach to exporters; and (5) strengthening the export control systems of other countries. These measures increase interoperability with our Allies and strengthen the U.S. defense industrial base by reducing incentives for foreign manufactures to design out and avoid using U.S. parts and components, and focus resources on more sensitive transactions.

In addition, BIS supports the U.S. industrial base by assessing the viability of key sectors of the defense industrial base, and assuring the timely availability of industrial resources to meet national defense and emergency preparedness requirements.

Section 3.3: FY 2016 Accomplishments

BIS reviewed 33,615 export license applications valued at over \$331 billion during FY 2016. In addition, 5,500 commodity classifications were completed. BIS's Export Administration was instrumental in enforcement actions taken by BIS, FBI, and Homeland Security by completing over 2,000 requests for license determinations.

Pursuant to the Export Control Reform (ECR) initiative, BIS and the Department of State have published, in final form, eighteen of the twenty-one U.S. Munitions List (USML) categories and applicable corresponding Commerce Control List (CCL) categories, including more tailored controls for commercial satellites and less-sensitive military items. During the fiscal year, BIS processed 14,265 license applications, with an average processing time of 17.6 days, for less-sensitive "600 series" military items and 1,216 license applications for satellites and related commodities that moved from the USML to the CCL. BIS continued to expend significant resources to inform the regulated community on ECR as additional revised USML categories and CCL controls became effective. BIS conducted more than 92 ECR outreach activities that reached more than 9,925 participants. These outreach activities included weekly teleconferences on specific ECR topics hosted by the Assistant Secretary of Commerce for Export Administration, BIS seminars, industry group meetings and seminars, small and medium-sized business conferences, webinars, and meetings with foreign governments. Furthermore, BIS utilized web-based decision tools to assist exporters and, in response to popular demand, introduced new tools. In FY 2016, the decision tools on the BIS website received more than 36,000 hits.

In response to the requirement to establish policy principles and an implementation plan for the development of the International Trade Data System (ITDS) by December 2016, and establish an interagency structure responsible for developing policies and processes to enhance interagency coordination related to certain border management functions in order to improve supply chain processes and identification of illicit shipments, BIS has successfully completed its full integration into ITDS. Additionally, BIS's license application processing is fully automated through its Simplified Network Application Process. BIS sends nightly information on the license applications authorized each day from its licensing database to U.S. Customs and Border Protection (CBP). CBP enforcement officers ensure that the export filings from exporters are consistent with the BIS license, and the license information is used to validate the export shipment filing of the licensed shipment. BIS has authorized access to the Automated Export System (AES) information through a "single window" to identify violations of the Export Administration Act and Regulations, and other U.S. laws and regulations; evaluate the effectiveness of export controls, and improve outreach and compliance with the Export Administration Regulations. In FY2016, BIS created a license decrement program in AES, which provides to the exporter the balance of the value on the license after AES records the value of what been shipped against the license.

In addition to outreach to the public, BIS continued to support CBP and other law enforcement agents around the United States with updated training materials. BIS worked with CBP to implement and announce new requirements for AES as additional final rules were published and became effective throughout the fiscal year. BIS also conducted outreach to ensure that exporters use the license exceptions available under the EAR in accordance with the regulations. Using data derived from AES through the "single window," BIS identified companies that are frequent users of license exceptions and conducted site visits to discuss the companies' compliance procedures.

BIS, along with four federal agencies, continues to maintain the Consolidated Screening List (CSL). BIS led the effort to consolidate eleven screening lists into one, thus reducing exporter burden. The CSL is a list of parties for which the United States Government maintains restrictions on certain exports, re-exports or transfers of items. In FY 2016, exporters have made over 81 million searches against the CSL data.

In FY 2016, an additional aspect of ECR was to ensure compliance while reducing unnecessary regulatory burdens. BIS and the Department of State worked to do this by harmonizing the definitions used in the EAR and the International Traffic in Arms Regulations (ITAR). The two sets of regulations evolved separately over decades with little coordination between BIS and the State Department on the structure and content. Thus, the EAR and ITAR often used different words, or the same words differently, to accomplish similar regulatory objectives. Following proposed rules published on June 3, 2015, BIS and the Department of State published final rules on June 3, 2016. These final rules revised certain definitions within the EAR and ITAR. Within the EAR, BIS revised or defined important terms, including "export," "fundamental research," "release," and "transfer." Of note, the BIS final rule also clarified the scope of a BIS technology license, excluded certain activities from the definition of "deemed re-export," and clarified the application of controls to electronically transmitted and stored technology and software.

In response to the Russian actions in Ukraine, the United States worked with its European and Asian allies to implement targeted sanctions to deter Russia from continuing conduct that violates international norms. The U.S. Departments of the Treasury and Commerce have imposed sanctions targeting individuals and entities involved in Crimea and eastern Ukraine, and oligarchs connected to the Russian regime, as well as the Russian energy, defense, and financial service sectors. Under the EAR, BIS has implemented U.S. sanctions by adding parties to the Entity List, adding license requirements for unconventional oil and gas exploration and production activities in Russia, imposing additional license requirements and more stringent licensing policy on defense trade with Russia, and imposing extensive license requirements for exports and re-exports to Crimea. Throughout this process, BIS has coordinated these sanctions closely with the European Union, and will continue to do so as the United States monitors Russia's actions in Eastern Europe.

In FY 2016, as part of a new policy to engage and empower the Cuban people, the Departments of Commerce and the Treasury took coordinated actions. BIS published three rules amending the EAR to revise license exceptions, including revised license exceptions policy for shipments that would otherwise require a license to Cuba. These steps have all been taken to support the Cuban private sector, improve communications, and meet the needs of the Cuban people. As a result of these changes, BIS has seen much greater commercial activity and interest in Cuba.

In FY 2016, BIS entered into an Interagency Agreement with the Air Force to conduct a comprehensive survey and assessment of the C-17 program industrial base. The Boeing C-17 is a large military transport aircraft developed for the Air Force (AF) beginning in the 1980s to transport troops and other military cargo around the world. The production of the final C-17 was completed at Boeing's Long Beach, California plant in November 2015. The BIS survey project included identifying surplus tooling and equipment that could be used for future workforce development at local community colleges and educational institutions. BIS matched the needs of over 20 community colleges, educational and training programs, and other organizations in the Long Beach, CA region with Boeing's surplus of tooling and equipment from the shutdown of the C-17 program. BIS assisted the Department of Defense and Boeing by developing the list of unused equipment and working with the area organizations to identify individual needs.

In FY 2016, BIS continued its strong commitment to protecting U.S. national security interests and foreign policy objectives by ensuring a credible deterrence and seeking appropriate penalties to address EAR violations. BIS enforces the EAR utilizing over 100 Special Agents located in nineteen locations throughout the United States and six locations abroad that are of strategic diversion concern. Their subject matter expertise and singular focus on enforcement of and compliance with the EAR led to \$274,500 in criminal fines, over \$23 million in administrative penalties, and 883 months of imprisonment. Incarceration time increased by 81%, which speaks to individual accountability. In addition to outreach with the public, BIS continued to support U.S. Customs and Border Protection (CBP) and other law enforcement agencies around the United States with updated training materials in support of ECR. In addition, BIS completed four Anti-boycott cases with administrative fines of \$268,000. Criminal forfeitures and civil penalties once again returned over \$100 million to the U.S. Treasury.

On June 22, 2016, BIS published an updated Guidance on Charging and Penalty Determinations

in Settlement of Administrative Enforcement Cases (the BIS Guidelines). The new Guidelines promote greater transparency and predictability to the administrative enforcement process. The BIS Guidelines are found in Supplement No. 1 to part 766 of the EAR. The BIS Guidelines aim to make civil penalty determinations more predictable and transparent to the public and aligned with those promulgated by the Treasury Department's Office of Foreign Assets Control (OFAC). OFAC administers most of its sanctions programs under the International Emergency Economic Powers Act (IEEPA), the same statutory authority by which BIS implements the EAR. OFAC uses the transaction value as the starting point for determining civil penalties pursuant to its Economic Sanctions Enforcement Guidelines. Under IEEPA, criminal penalties can reach 20 years imprisonment and \$1 million per violation, and administrative monetary penalties can reach \$250,000 (subject to adjustment in accordance with U.S. law, e.g., the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (Pub. L. 114-74, sec. 701)) or twice the value of the transaction, whichever is greater. Both agencies coordinate and cooperate on investigations involving violations of export controls that each agency enforces, including programs relating to weapons of mass destruction, terrorism, Iran, Sudan, Specially Designated Nationals, and Specially Designated Global Terrorists.

In FY 2016, BIS oversaw completion of 985 end-use checks (EUCs) in 55 countries to ensure the proper disposition of U.S.-origin items. Of these, 57% were conducted by the Export Control Officer (ECO) program, Foreign Commercial Service officers (4%), and the remainder were accomplished by Sentinel Program (39%) visits conducted by BIS Special Agents. BIS added 48 entities to and removed two entities from the Unverified List (UVL). Office of Enforcement Analysis (OEA) intelligence, export, and licensing screening generated Information Triage Unit reports to support 484 licensing activities and 369 enforcement leads, which resulted in 199 enforcement outreaches, 37 enforcement cases, 27 detentions, and 15 warning letters. OEA initiated 52 Entity List nominations, which involved efforts to stem WMD, military modernization, and improvised explosive device proliferation efforts. OEA also provided case support to 56 OEE field office investigations.

Public Benefits

BIS protects the U.S. public by advancing U.S. national security, foreign policy, and economic objectives that ensure that America maintains its strategic competitive advantage in critical areas affecting economic and national security. BIS accomplishes its mission by maintaining and strengthening adaptable, efficient, and effective export control and treaty compliance systems. BIS administers and enforces controls on the export of items with chiefly commercial uses that can also be used in conventional arms, weapons of mass destruction, terrorist activities, or human rights abuses; less sensitive military items; and certain items controlled for short supply reasons. BIS administers and enforces these controls in coordination with several other U.S. federal agencies. BIS implements these controls primarily through the Export Administration Regulations (EAR). The EAR set forth license requirements and licensing policy for the exports of these items.

Enforcement is an essential aspect of the BIS mission. Enforcement efforts encourage compliance, prevent and deter violations, disrupt illicit activities, and bring violators to justice. BIS achieves these important objectives through a law enforcement program focused on parties

engaged in the export of sensitive commodities, software, and technology to end uses, end users, and destinations of concern.

Some specific examples of BIS efforts that directly impact the public include:

- Conducting educational outreach to the exporting community;
- Conducting quarterly advisory committee meetings;
- Reviewing over 30,000 export license applications annually;
- Providing guidance and compliance tools on BIS's website;
- Assisting U.S. business in accurately classifying their products;
- Assisting business in structuring export transactions to meet export control concerns;
- Negotiating for removal of obsolete controls in multilateral export control forms;
- Ensuring consistency in export controls with major trading partners;
- Assisting U.S. and foreign firms in developing export control compliance programs;
- Investigating, indicting, and convicting those who willfully violate the provisions of the EAR;
- Targeting illegal procurement networks supporting terrorist regimes through focused analysis;
- Bringing back millions of U.S. dollars to the Treasury in the form of fines and forfeitures from criminal and civil violators;
- Denying export privileges for convicted felons;
- Uncovering diversions to unauthorized end-users/uses;
- Conducting end-use checks abroad to confirm the *bona fides* of foreign parties to export transactions;
- Confirming compliance with license conditions or the use of license exceptions;
- Reviewing Automated Export System (AES) filings to identify potential export control violations and ensure exporter compliance.
- Supporting international efforts to stem the proliferation of chemical and nuclear weapons by leading U.S. participation in the Chemical Weapons Convention Inspection program and implementing the Additional Protocol to the U.S.-International Atomic Energy Agency Safeguards Agreement; and
- Administering and amending the federal regulations on the export and re-export of U.S.-origin dual-use and military items.
- Publishing updated BIS Guidelines on charging and penalty determinations in settlement of administrative enforcement cases to promote greater transparency and predictability to the administrative enforcement process.

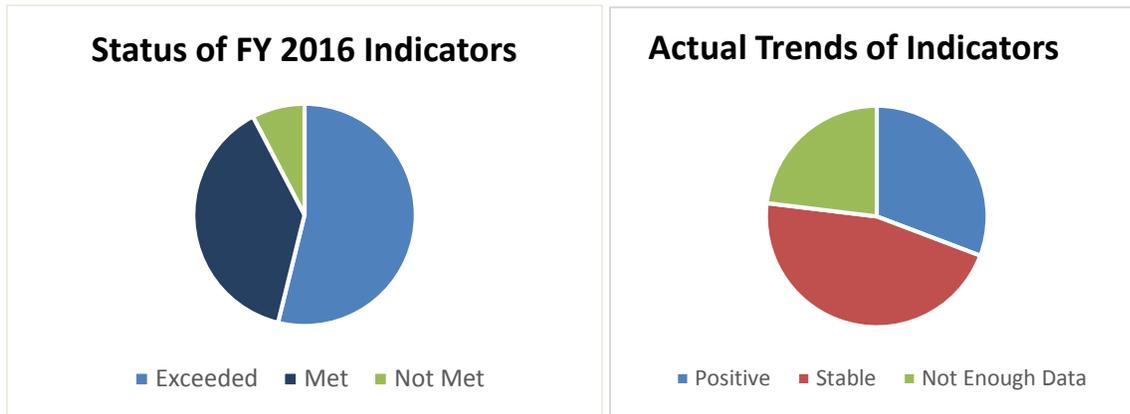
Section 3.4 Next Steps

The Bureau of Industry and Security will continue to hold a regular schedule of seminars and outreach events to educate exporters about export control requirements and compliance thereof. In addition to its premier conferences, the Update Conference on Export Controls and Policy, which is held annually in Washington, DC, and the Export Control Forum, held annually in California, BIS will co-sponsor approximately twenty five other events scheduled for locations

around the country. BIS will also continue to offer a wide variety of online educational offerings and electronic or in-person counseling.

BIS will also continue all of the other activities described above, including reviewing more than 30,000 export license applications and related tasks, reviewing export and other data to identify, investigate and prosecute potential violations of the EAR, undertake industry sector surveys, and ensure U.S. industry compliance with the Chemical Weapons Convention and the U.S.-International Atomic Energy Agency Safeguard Agreement.

Performance Indicator Information



Summary of Indicator Performance

Statuses with a percentage are based on the following standard:

- Exceeded More than 100 percent of target
- Met 90 - 100 percent of target
- Not Met Below 90% of target

An indicator with a positive trend is one in which performance is improving over time while a negative trend is an indicator that has declining performance. A stable trend is one in which the goal is to maintain a standard, and that is occurring. A varying trend is one in which the data fluctuates too much to indicate a trend. At a minimum, these indicators must have three years of data.

- Of the 13 BIS performance indicators, 7 were Exceeded, 5 were Met and 1 were Not Met.
- Of the 13 BIS performance indicators, 10 have trend data. Of these indicators with trend data, 4 were positive and 6 were stable.

Summary of FY 2016 Indicator Performance

Indicator	Target	Actual	Status	Trend
Milestones Completed for Commerce Interoperability Framework - Number of post shipment verifications (PSV) completed and categorized above the unfavorable' classification	315PSV	325 PSV	Exceeded	
Number of Exporters Educated and Trained through Outreach Activities related to Export Control Reform	48,000	46,833	Met	Stable

Indicator	Target	Actual	Status	Trend
Number of Export Control Reform rules issued	4	6	Exceeded	Stable
Number of export transactions completed under the new authority of Commerce export licenses and license exceptions	100,000	144,888	Exceeded	Not enough data
Percent of licenses requiring interagency referral referred within nine days	98%	92%	Not Met	Stable
Percent of attendees rating seminars highly	93%	93%	Met	Positive
Number of actions that result in a deterrence or prevention of a violation and cases which result in a criminal and/or administrative charge/action	1,000	1,717	Exceeded	Positive
Percent of licenses requiring Information Triage Unit (ITU) report completed by Export Enforcement (EE) within ten Executive Order (EO) days of referral	90%	93%	Exceeded	Stable
Number of End-Use Checks (EUCs) completed	850	985	Exceeded	Positive
Number of post shipment verifications completed and categorized above the 'unfavorable' classification	315	325	Exceeded	Positive
Median processing time for new regime regulations (months)	2	3	Not Met	Stable
Percent of declarations received from U.S. industry in accordance with CWC time lines that are processed in time for the U.S. to meet treaty obligations	100%	100%	Met	Stable
Percent of electronic export information (EEI) transactions reported in the Automated Export System (AES) in compliance with the Export	99%	99%	Met	Not enough data

Indicator	Target	Actual	Status	Trend
Administration Regulations (EAR)				
Percent of defense industrial base assessments completed within the time frame set forth in the Memorandum of Understanding (MOU) between the BIS and the survey sponsoring agency or entity	100%	100%	N/A	N/A

Detailed Indicator Plans and Performance

New or Recurring Indicators

Objective 1.2: Increase U.S. exports by broadening and deepening the U.S. exporter base

Indicator: Number of Exporters Educated and Trained through Outreach Activities related to Export Control Reform.								
Description: Export Control Reform (ECR) has moved tens of thousands of items -- mostly parts and components -- from the U.S. Munitions List to the more flexible Commerce Control List. The move has enabled more nuanced distinctions among technologies, destinations, and end users than under the State Department's International Traffic in Arms Regulations. Through our outreach programs, BIS will educate and train exporters on these important changes.								
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Targets			4,000	28,000	48,000	48,000	48,000	48,000
Actual			4,000	69,948	50,830	46,633		
Status			Met	Exceeded	Exceeded	Met		
Trend: Both the target and actual trends have remained stable.								
Explanation (if not met in FY 2016): Major categories revised in FY14 and FY15, so slightly less public interest in ECR outreach.								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								

Indicator: Number of export transactions completed under the new authority of Commerce export licenses and license exceptions.								
Description: Export Control Reform (ECR) has moved tens of thousands of items -- mostly parts and components -- from the U.S. Munitions List to the more flexible Commerce Control List. The move has enabled more nuanced distinctions among technologies, destinations, and end users than under the State Department's International Traffic in Arms Regulations. BIS will track shipments of such items made under the Automated Export System.								
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Targets				NA	80,000	100,000	150,000	150,000
Actual				42,837	126,798	144,888		
Status				NA	Exceeded	Exceeded		
Trend: Not enough information								
Explanation (if not met in FY 2016): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								

Indicator: Percent of licenses requiring interagency referral referred within nine days.								
Description: Generally, export license applications for dual-use items (products that may have both civilian and military applications) and less sensitive munitions items fall into two categories: 1) referred licenses, including those licenses that require a recommendation from another agency (i.e., Department of Defense, State, and Energy, and where appropriate, other U.S. governments departments or agencies) thus the name “referred licenses;” and 2) non-referred licenses, which are those license requests that BIS may review/approve without referral to any other federal agency. Referred licenses comprise approximately 85% of BIS license applications, with the remaining 15% being non-referred licenses. This measure is designed to measure the effectiveness of BIS in meeting the target of referring 98% of licenses requiring referral within 9 days. If BIS does not meet the metric of 98% of license applications referred within 9 days, BIS is not maintaining effective management of the license application review processes. According to Section 3 of Executive Order 12981, BIS must complete its initial review and refer to appropriate agencies the application and other pertinent information within 9 days.								
	FY							

	2011	2012	2013	2014	2015	2016	2017	2018
Targets	98%	98%	98%	98%	98%	98%	98%	98%
Actual	88%	97%	98%	98%	91%	92%		
Status	Not Met	Met	Met	Met	Not Met	Not Met		
Trend: This is to maintain standard measure. Both the target and actual trends have remained stable.								
Explanation (if not met in FY 2016): In addition to the difficulty in replacing employees, BIS had significant IT outages and connection issues during the year.								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								

Indicator: Percent of attendees rating seminars highly.								
Description: This metric is designed to measure the overall effectiveness of the entire export control outreach seminar program. Given the volume of trade from the United States, informing U.S. and foreign businesses of the requirements of the EAR is a critical component of our export control system. The target is for at least 93% of the seminar attendees to give the seminar an overall rating of at least 4 (out of a 5 level scale).								
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Targets	93%	93%	93%	93%	93%	93%	93%	93%
Actual	94%	93%	91%	91%	90%	93%		
Status	Met	Met	Met	Met	Not Met	Met		
Trend: Both the target and actual trends are positive.								
Explanation (if not met in FY 2016):								
Actions to be taken / Future Plans: None								

Adjustments to targets: None
Information Gaps: None

Indicator: Number of actions that result in a deterrence or prevention of a violation and cases that result in a criminal and/or administrative charge/action.

Description: This performance indicator captures the number of Export Enforcement deterrence actions, cases that result in a prevention of a violation, criminal/administrative actions, and administrative settlement orders. The number will reflect the actual number and type of preventive enforcement actions conducted including: detentions of suspect exports, seizures of unauthorized shipments, industry outreach, issuance of warning letters, recommended denials of license applications based on enforcement concerns, and recommendations for parties to be added to the Entity List and Unverified List. The measure also includes Office of Anti-boycott Compliance (OAC) advice line inquiries that result in prevention or deterrence.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Targets	850	850	850	1,100	1,000	1,000	1,200	1,200
Actual	1,073	1,162	1,403	1,473	1,442	1,717		
Status	Exceeded	Exceeded	Exceeded	Exceeded	Exceeded	Exceeded		

Trend: Both the target and actual trends are positive.

Explanation (if not met in FY 2016): NA

Actions to be taken / Future Plans: The target is being increased for FY 2017.

Adjustments to targets: None

Information Gaps: None

Indicator: Percent of licenses requiring Information Triage Unit (ITU) report completed by Export Enforcement (EE) within ten Executive Order (EO) days of referral.

Description: The ITU, for which EE provides the majority of intelligence product outputs, drafts bona fides information reports on foreign transaction parties to license applications. The reports are either requested at the direction of a licensing officer or self-selected by EE. EE must, within the established

EO timeframe, complete such reports in 10 EO days from referral to enable timely interagency review of license applications. This measure is designed to measure the effectiveness of BIS in meeting the target of completing 90% of ITU reports produced by EE within 10 EO days of referral.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Targets				90%	90%	90%	90%	90%
Actual				96%	93%	93%		
Status				Exceeded	Exceeded	Exceeded		
Trend: Both the target and actual trends have remained stable.								
Explanation (if not met in FY 2016): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								

Indicator: Number of End-Use Checks (EUCs) completed.

Description: A key element of BIS’s policy formulation and implementation toward other key countries is conducting EUCs to verify that targeted dual-use exports and munitions items transferred from the USML to the CCL will be or have been properly used by the proper end-users. End-use checks are comprised of both Pre-license Checks (PLCs) and PSVs. PLCs are used to determine if an overseas person or firm is a suitable party to a transaction involving controlled U.S. origin items. A PSV confirms whether or not goods exported from the United States actually were received by the party named on the license or other export documentation, and whether the goods are being used in accordance with the provisions of that license (where applicable) and the Export Administration Regulations (EAR). The primary means for conducting EUCs are through BIS ECOs stationed abroad with the Department of Commerce’s Foreign Commercial Service (FCS), augmented by Sentinel visits (formerly known as “Safeguards”) conducted by Special Agent-led teams as well as FCS officers. ECOs are located in six countries and are responsible for conducting EUCs in their respective areas of responsibility covering 43 countries in all. During Sentinel trips, which generally consist of two-person teams of BIS Special Agents on two-week assignments to visit foreign consignees and end-users of U.S. commodities and technology, agents attempt to verify bona fides of consignees named on a BIS license, and confirm that the equipment is being used in conformance with the EAR. By conducting PSVs, BIS can provide a level of

assurance that foreign end-users are aware of EAR requirements and comply with them. EUCs also identify diverted transactions and reveal untrustworthy end-users and intermediate consignees.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Targets	850	850	850	850	850	850	850	850
Actual	891	994	1,033	1,044	1,031	985		
Status	Met	Exceeded	Exceeded	Exceeded	Exceeded	Exceeded		
Trend: Both the target and actual trends are positive.								
Explanation (if not met in FY 2016): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								

Indicator: Median processing time for new regime regulations (months)

Description: Changes to regime control lists have been agreed to by the members of the multilateral regimes, who are the U.S. export control partners. If those changes result in tighter controls, they must be implemented to address national security or proliferation concerns, and if they result in liberalizations, they must be implemented to ensure that U.S. industry is not disadvantaged vis-à-vis our allies. Therefore, it is important to refer the draft multilateral changes for interagency review in two months or less from plenary meeting dates in order to meet our multilateral obligations, maximize U.S. competitiveness, and enable economic growth for American industries, workers, and consumers. Effective and efficient adaptation of export controls advances responsible economic growth and trade while protecting American security.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Targets	2	2	2	2	2	2	2	2
Actual	2	2	2	2	2	3		
Status	Met	Met	Met	Met	Met	Not Met		

Trend: This is a maintain standards measure. Both the target and actual trends have remained stable.
Explanation (if not met in FY 2016): OMB held one regime rule for load balance purposes; another was delayed for related U.S. implementation provisions.
Actions to be taken / Future Plans: None
Adjustments to targets: None
Information Gaps: None

Indicator: Percent of declarations received from U.S. industry in accordance with CWC time lines that are processed in time for the U.S. to meet treaty obligations								
Description: The CWC establishes a verification regime (e.g., declaration requirements, on-site inspections, and trade restrictions) for weapons-related toxic chemicals and precursors that have peaceful applications. BIS's CWC Regulations require U.S. industry exceeding certain chemical activity thresholds to submit declarations and reports. BIS processes, validates, and aggregates the declarations and reports to develop the U.S. CWC Industrial Declaration, which is forwarded to the State Department, within established time frames mandated under the CWC, and to submit it to the Organization for the Prohibition of Chemical Weapons (OPCW).								
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Targets	100%	100%	100%	100%	100%	100%	100%	100%
Actual	100%	100%	100%	100%	100%	100%		
Status	Met	Met	Met	Met	Met	Met		
Trend: This is a maintain standards measure. Both the target and actual trends have remained stable.								
Explanation (if not met in FY 2016): NA								
Actions to be taken / Future Plans: None								
Adjustments to targets: None								
Information Gaps: None								

Indicator: Percent of electronic export information (EEI) transactions reported in the Automated

Export System (AES) in compliance with the Export Administration Regulations (EAR).

Description: This indicator evaluates how effective the BIS export control system is in ensuring that items exported and reported as electronic export information transactions in the AES are in compliance with the EAR. BIS will measure exporter compliance with the EAR by reviewing, on a quarterly and annual basis, the entire compilation of export transactions under the jurisdiction of BIS (i.e., BIS licensed, license exception and No License Required Shipments) and determine what percentage are in compliance with the EAR following any BIS intervention as necessary. BIS interventions will comprise actions taken to mitigate or resolve non-compliance findings (i.e., counseling, outreach, compliance letters, and enforcement referral).

BIS anticipates that data evaluation period for this metric will run from July 1 – June 30 annually, which is based on the estimated time lag of receipt of shipment information from the Census Bureau (monthly data is released approximately 45 days after the close of the statistical month) and BIS analysis of and action on the data.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Targets					99%	99%	99%	99%
Actual					99%	99%		
Status					Met	Met		

Trend: Not Enough Data

Explanation (if not met in FY 2016): NA

Actions to be taken / Future Plans: None

Adjustments to targets: None

Information Gaps: None

Indicator: Percent of defense industrial base assessments completed within the time frame set forth in the Memorandum of Understanding (MOU) between the BIS and the survey sponsoring agency or entity.

Description: Percent of defense industrial base assessments completed within the time frame set forth by regulation or in MOUs between the BIS and the survey sponsoring agency or entity. The Office of Technology Evaluation (OTE) provides assessments to inform decisions in a way that maintains the competitiveness and economic viability of the health and competitiveness of the U.S. Defense Industrial

Base and other industry sectors. In addition to conducting defense industrial base studies to meet this objective, OTE conducts technology assessments and foreign availability assessments that address the adequacy of current export controls, economic status of the relevant industry sector, foreign availability, and foreign country export control practices. Assessment topics can arise from discussions with other agencies, licensing offices, industry, technical advisory committees, or other sources. Completion is defined as building the survey, surveying respondents, collection, writing the report and publishing the report.

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Targets					100%	100%	100%	100%
Actual					100%	N/A		
Status					Met	N/A		
Trend: Not Enough Data								
Explanation (if not met in FY 2016): BIS completes this activity at the request of the President or other federal entities. In FY 2016 none were scheduled to be completed.								
Actions to be taken / Future Plans: BIS is currently undertaking two investigations scheduled to be completed in FY 2017.								
Adjustments to targets: None								
Information Gaps: None								

Non-recurring Indicators

Indicator: Number of post shipment verifications completed and categorized above the ‘unfavorable’ classification.

Description: Post Shipment Verifications (PSVs) confirm whether items exported from the United States actually were received by the party named on the license or other export documentation, and whether the items are being used in accordance with the provisions of that license. PSVs are selected through the use of a strategic targeting plan. In addition, BIS enforcement analysts research other potential factors to make a final determination on whether to initiate an end-use check to include PSVs. While PSVs are a key component of compliance verification, they also identify diverted transactions and reveal untrustworthy end-users and intermediate consignees. By conducting PSVs, BIS can provide a level of assurance that foreign end-users are aware of BIS license restrictions and comply with them as well as identifying if controlled items were shipped to unauthorized end-users or for unauthorized

end uses.								
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Targets	315 PSVs	315 PSVs	315 PSVs	315 PSVs	315 PSVs	315 PSVs	Delete	N/A
Actual	382 PSVs	343 PSVs	240 PSVs	344 PSVs	352 PSVs	325 PSVs		
Status	Met	Met	Not Met	Met	Exceeded	Exceeded		
Trend: Both the target and actual trends are positive.								
Explanation (if not met in FY 2016): NA								
Actions to be taken / Future Plans: *To be deleted in FY 2017.								
Adjustments to targets: None								
Information Gaps: None								

Indicator: Number of USML to CCL transition rules issued.								
Description: Export Control Reform (ECR) has moved tens of thousands of items -- mostly parts and components -- from the U.S. Munitions List to the more flexible Commerce Control List. The move has enabled more nuanced distinctions among technologies, destinations, and end users than under the State Department's International Traffic in Arms Regulations.								
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Targets			7	4	4	4	Delete	
Actual			7	9	9	6		
Status			Met	Exceeded	Exceeded	Exceeded		
Trend: Both the target and actual trends have remained stable.								
Explanation (if not met in FY 2016): NA								

Actions to be taken / Future Plans: *To be deleted in FY 2017.

Adjustments to targets: None

Information Gaps: None